

**REPORT OF BUDGET WORKSHOP
HORRY COUNTY SOLID WASTE AUTHORITY, INC.
March 10, 2020**

The Horry County Solid Waste Authority, Inc. held a Budget Workshop on Tuesday, March 10, 2020, at 10:30 A.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: Michael H. Hughes, Chairman; Bo Ives, Vice Chairman; Pam J. Creech, Treasurer; J. Michael Campbell, Secretary and Board Members W. Norfleet Jones, Samuel T. Johnson, Jr. and Carl H. Schwartzkopf.

Horry County Administrator, Steve Gosnell, Carlyle Berry and Amelia Wood attended the workshop. There were no members of the media in attendance.

The following individuals were also in attendance: Danny Knight, Executive Director; Esther Murphy, Director; Jan Bitting; Director, Mike Bessant; Director and other staff to include Trina Cooke, Cindy Keith, Nannette Powell, Richie Stetter, Cecil Terry, Stephanie Todd and Susie Wofford.

CALL TO ORDER

Chairman Hughes called the meeting to order and rendered the invocation.

PLEDGE OF ALLEGIANCE

Ms. Creech led the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

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

Mr. Ives moved to approve the Agenda. There was a second by Mr. Campbell and the Motion was carried.

FY2021-2022 BUDGET DISCUSSION

TIPPING FEES AND REVENUE PROJECTIONS - FISCAL YEARS 2021 & 2022

Mrs. Bitting began with a brief overview of the Operating Budget and reminded the Board the SWA prepares a two (2) year operating budget and a five (5) year capital budget. She reviewed with the Board the Summary of Revenues and advised the Board of the following changes for FY21:

- Tipping Fees – Mrs. Bitting remarked that a 5.26% increase in tipping fee revenue was being proposed. She commented that the total tipping fee revenue was \$14,934,500.
- Recyclable Material Sales – Mrs. Bitting stated there was a 27.35% decrease in recyclable material sales due to the cancellation of the Charleston County Contract and the decrease in market prices.
- Interest Earnings – Mrs. Bitting indicated that a 175.00% increase was budgeted for interest earnings due to the improved rate of return currently being seen on investments.

- Waste Tire Rebate – Mrs. Bitting stated this revenue was based on funding received from the State to assist with cost related to disposal of waste tires. She stated there was a 45.83% increase in the Waste Tire Rebate. Mrs. Bitting informed the Board that an increase was needed for tires without receipts. These tires were currently \$110.00 per ton and the increase would be to \$150.00 per ton for tires without receipts. This increase is recommended after a discussion with DHEC. She stated that the company that picks up the tires for the SWA charges \$320.00 per ton for off-road tire disposal. Mrs. Bitting indicated that she would like to change off-road tires to \$320.00 per ton for tire disposal.
- Miscellaneous Container Rental – Mrs. Bitting stated an increase was being budgeted for container rental. She reminded the group that fees had not been increased since 2008 and with Board approval the monthly lease cost would increase from \$28.00 to \$36.00; an \$8.00 per month increase in revenue.
- Landfill Gas Revenues – Mrs. Bitting stated a 5.26% increase was budgeted for landfill gas revenue. She stated this was due to the recent landfill gas upgrade and the anticipation of more gas being captured.
- C&D Recycling – Mrs. Bitting indicated a 19.23% decrease was budgeted for C&D Recycling due to market prices.
- E-Waste Processing Fee – Mrs. Bitting reminded the Board that this was a pass through account and it only covers the cost to process and recycle electronic waste and we are not anticipating any change in the budgeted amount.
- The Store – Mrs. Bitting stated there was no changes budgeted for The Store.

Regarding Miscellaneous Container Rental Mr. Jones commented that he felt this was fair and reasonable considering that the cost of services and fees had not changed since 2008.

Mrs. Bitting reminded the group that the cost for recycling has increased and with the market pricing being so low that a tipping fee increase was needed to cover the cost of recycling services. She commented this was discussed at the pre-budget workshop and that the tipping fees would be increased to subsidize and sustain the MRF/SWA recycling programs.

Ms. Creech asked Mrs. Bitting what criteria was used to increase or decrease tonnage figures in mixed construction or yard waste. Mrs. Bitting stated she does an analysis based on last year's actual tonnage figures versus this year's actual tonnage figures. She remarked that she does an analysis on each material every year. Mrs. Bitting commented that she separated any storm related material received that year in order to get an accurate average.

FY2021 & 2022 EXPENDITURE REVIEW

Mrs. Bitting began the review of the departmental budgets and indicated all divisions had increases attributed to personnel cost i.e., salaries 3% step-plan, annual bonuses, 20% increase for health insurance, 20% increase for worker's compensation insurance, 1% increase in retirement to 16.56% for employers mandated by the State retirement system and an increase for tort and liability.

BOARD OF DIRECTORS

Mrs. Bitting indicated that overall the Board of Directors budget had increased 1.4%, which was primarily due to retirement and tort insurance. She stated that membership and dues increased because the Board was attending more conferences and seminars. Mrs. Bitting stated the Board of Directors budget for FY21 was \$91,582.

Mr. Ives asked about the decrease under Non-Departmental the unrestricted capital decrease of \$200,000. Mrs. Bitting explained this was called E-money under capital items. She elaborated that items were only purchased when funding became available. She stated that the SWA funds some of these items through the unrestricted capital account and due to funding this account was decreased for FY21.

Mr. Ives commented that the environmental management budget had increased. Mrs. Bitting stated that Mrs. Todd would explain the changes in her department.

ADMINISTRATION DIVISION

Mrs. Bitting indicated that the Administration Division includes the Executive Director, Human Resources Manager, and Custodian/Grounds Keeper. She stated a decrease of \$50,000 in Consulting and Miscellaneous since the Waste Composition Study was completed last year. Mrs. Bitting remarked that overall the proposed Administration Division budget was \$1,017,234, a decrease of 2.8% for FY21.

FINANCE DIVISION

Mrs. Bitting stated that the Finance Division includes the Director of Finance, Deputy Director of Finance (which is an Unfunded position), Accounting Supervisor, Accountant, Accounting Clerk, and three (3) Clerk II. She indicated the Finance Division had no significant increases or decreases this fiscal year. Mrs. Bitting stated that overall the Finance Division's budget was \$634,528, which represents an increase of 3.2% for FY21.

NON-DEPARTMENTAL BUDGET SUMMARY

Mrs. Bitting reviewed the Summary of Expenditures under the Non-Departmental section. She stated there was an increase in the Horry County Community Waste Disposal Fee due to the estimated tonnage increases of 2.89% for FY21. Mr. Schwartzkopf asked what was the HGTC Mechanic Program. Mrs. Bitting explained this was a scholarship that the SWA allocated funds for the next few years to help recruit diesel mechanics. She indicated that SWA Support Services decreased 3%. Mrs. Bitting stated that overall the Non-Departmental budget was \$1,634,006 which is a decrease of 10.5% for FY21.

OPERATIONS DIVISION

Mr. Bessant began with a review of the Environmental Management Department and stated there was only one significant change that Mrs. Todd would address. Mrs. Todd indicated that the salaries and personnel increased in Department 504. She explained that a position was transferred from the Collection and Hauling Department. Mrs. Todd indicated that this was a shared position with department 530 but Department 504 would cover the expenses. She stated that Engineering increased \$4,600 for monitoring and updates; Monitoring and Testing increased \$27,500 for ground water, leachate and stormwater testing; and Landfill Gas Maintenance increased \$10,000 for pumps for gas wells.

Chairman Hughes asked if the increased rainfall had any bearing on the leachate collection. Mr. Bessant replied that it increased the water that is discharged to Grand Strand Water and Sewer. Mr. Ives asked how many times was this discharged. Mrs. Todd commented at least once a day. Mr. Bessant stated the Landfill Department had an increase in Contractual Services of \$75,000. He indicated that Closure and Post Closure cost remain the same and this was based on no

increase in MSW tonnage. Mr. Bessant explained that the landfill would have to purchase limestone rock after the start of the Piggyback Phase III. Mr. Ives asked about the depreciation. Mr. Bessant indicated that staff had delayed the purchasing of new equipment which pushed equipment out and therefore there was no depreciation for a couple of years.

In the Yard Waste Department, Mr. Bessant stated that lights were installed for the Yard Waste area therefore there was an increase in electricity. He said there were no significant changes in the Yard Waste Department budget for FY21. Regarding the Construction & Demolition Department, FY21 budget is \$1,512,016 which is a 4.95% increase from FY20. This increase is in closure/post closure and landfill construction due to increase tonnages. Mr. Bessant said the Yard Waste Department FY21 budget is \$619,849 which is a .03% decrease from FY20.

Mr. Bessant indicated in the C&D Recycling Department there was an increase in Uniforms. He stated there was also an increase in Sustainment Contracts of \$6,136 for the maintenance of equipment. Mr. Bessant commented that there was very little change overall in the departmental budget.

Mr. Bessant reviewed the Material Recycling Facility (MRF) budget. Mr. Ives asked Mr. Bessant about the workforce at the MRF. Mr. Bessant commented that staff discussed the need to continue to use all the temporary labor. He explained that the material that was baled during the retrofit needed to be processed so the workers were still needed. Mrs. Bitting remarked the extra funding would only be used for the contract labor only. Mr. Bessant stated that overall the only increase was for the heating and cooling units for the building. He commented that the equipment depreciation increase due to the retrofit to \$505,519.

Mr. Bessant then reviewed the Collections & Hauling Department budget. He indicated the Contractual Services for GPS increased to \$7,000. Mr. Bessant explained that this new system installed on the trucks that gave an accurate weight assessment on each container that was serviced. He commented that this would determine the frequency of when the container should be serviced. Mr. Bessant indicated that the system would pay for itself by decreasing the amount of fuel used at unnecessary stops. He stated that Equipment Maintenance-Container increased by \$10,000 and Maintenance Contracts increased by \$1,500.

PUBLIC EDUCATION AND CORPORATE AFFAIRS DIVISION

Mrs. Murphy stated with the exception of the personnel costs and changes mentioned by Mrs. Bitting, the Public Education and Recycling and Corporate Affairs Departments had minimal changes to the budgets. She indicated there was an increase in Small Capital for the purchase of recycling bins and event recycling containers. In the Public Education Department Mrs. Murphy stated the proposed budget was \$254,869 which represented an increase of 3.8% for FY21.

Regarding the Corporate Affairs Department, Mrs. Murphy stated there was no increase for Promotions and Public Relations budget because grant funding was being requested from SC DHEC. She informed the Board that the current television commercials were funded through SC DHEC grants and would need to be updated because the recycling commercials were over five-years old. She commented that if grant funding was not received from SC DHEC this fiscal year then the Promotions and Public Relations budget would have to increase. Mrs. Murphy

indicated Small Capital increased due to the purchase of a new computer for the multipurpose room. She said the proposed FY21 budget for the Corporate Affairs Department was \$408,442 which is an increase of 2.8% for FY21.

FUND 06 - UNINCORPORATED COLLECTION SYSTEM DIVISION

Mrs. Murphy reminded the Board that the Unincorporated Collection System, or Fund 6, is the fund by which the SWA manages the convenience centers for Horry County. She stated staff completed the budget for Fund 6, which was subsequently sent to Mr. Gosnell for review and input. Mrs. Murphy indicated that the budget for Unincorporated Collection System had increased by 37%. She stated that due to county funding constraints there were significant cuts in the Fund 06 budget for FY20. Mrs. Murphy indicated that there has been a significant increase in the amount of material being hauled to the recycling centers. She remarked that operational cost had increased as well.

Mr. Gosnell stated that if the County did not generate more revenue then programs would have to be cut. He said that some recycling centers would have to be closed.

CAPITAL BUDGET DESIGNATED FUNDS

Mrs. Bitting pointed out that in the Capital Improvement Budget funding was included for a Compactor for the landfill division which cost \$850,000 and was less than the budgeted amount. She indicated that Landfill Gas Expansion cost \$2 Million; Environmental Parkway road repair cost \$750,000 and the stormwater system upgrades cost \$432,080. Mrs. Bitting stated that Piggyback Phase III Backfill cost \$8,458,220. She indicated that the Leachate/Wastewater Treatment Facility was \$300,000 which was a carryover. Mrs. Bitting commented that the carryovers were the projects that staff has pushed out.

Mrs. Bitting explained the capital budget funding sources outlined in the budget. She explained funding source "A" was the Equipment Replacement Fund which would cover cost associated with replacing existing equipment. Mrs. Bitting stated funding source "C" was the General Construction and Development fund. She explained source "D", was the Landfill Construction, which covered construction projects, such as the Piggyback Expansion project. She said funding source "E" was Undesignated Cash Funds. Items with this funding source would be purchased only if funds were available. Mrs. Bitting stated that the capital budget for FY21 is \$17,341,356.

Mrs. Bitting stated that as of June 30, 2019 the landfill closure balance was \$9,071,644. She indicated that adjustments were made based on the tonnage and material taken in each year. Mrs. Bitting explained that for FY21 expenditures for the landfill gas upgrade cost \$2 Million. She discussed a transfer to landfill construction cost of \$6,500,000 which would help cover the cost of the Piggyback Expansion III. Mrs. Bitting clarified that the SWA was internally borrowing from itself. She remarked that the entire amount might not be needed but was available if needed. Mrs. Bitting stated the projected balance for June 30, 2025, was \$5,657,953.

Mr. Johnson expressed his concerned about borrowing internally from the designated accounts. Ms. Creech asked when was the last time SWA borrowed from the designated accounts and how did we pay this money back. Mrs. Bitting indicated it had been some time since the SWA borrowed from these accounts.

Chairman Hughes asked Mrs. Bitting since the SWA has borrowed from this account before, could she bring back this information to the Board. He asked what account was this taken from, what amount was borrowed, after the funds were borrowed what was the balance and how long did it take to pay it back. Chairman Hughes commented that this would demonstrate the SWA's ability to pay without borrowing any additional funding. He also asked if the SWA has to borrow funding from outside what interest would we pay.

Ms. Creech asked if the SWA could have another fund to borrow from instead of using the closure/post closure accounts. Mr. Johnson expressed his concern again about borrowing funds from the closure/post closure accounts. He asked if the SWA would have funding available to close the landfill when it reaches capacity.

Mr. Bessant commented that Mr. Moore had presented projections about closure/post closure during the pre-budget workshop. He stated that the projections showed how much funding was needed for each project and the amount of revenue that should be collected between now and 2041. Mr. Bessant indicated that the Piggyback III would hold more tonnage and capacity and the funding would be allocated to closure/post closure until 2041.

Chairman Hughes commented that Mr. Moore explained these projections at the pre-budget workshop. He stated that the Board would have the same concerns if this had not been explained in the workshop. Chairman Hughes reminded the group that the tipping fees will increase and the amount allocated to the closure/post closure would increase as well.

Mr. Johnson asked if Mr. Moore took into consideration that the SWA would be borrowing from the closure/post closure accounts. He said that when the Piggyback III was completed the SWA would have more capacity but funding would still be needed for closure/post closure. Mr. Bessant offered an example and said that when Mrs. Bitting does the budget calculations, if she had projections of 265,000 tons and the actual tonnage is 270,000 there is an excess of 5,000 tons over the projection the excess revenue would be transferred to the designated account. He clarified that the SWA would have more revenue than was actually budgeted and said the excess revenue would be placed in the designate accounts.

Chairman Hughes asked if it was a requirement that a certain amount of revenue was needed for closure/post closure. Mrs. Bitting explained the SWA has to make sure that it has funding available to cover the closure/post closure and the Financial Assurance requires that the SWA guarantees these funds.

Mr. Ives asked if the SWA annually reviews this. Ms. Creech asked if we borrow from the closure/post closure account does this change the auditor's report. Mrs. Bitting stated that the SWA was required by the local government test that the SWA list its revenue and that of Horry County since the SWA is a component unit of Horry County Government. She said both revenue sources are used to meet the requirement. She indicated that the SWA separates these funds from closure/post closure and landfill construction but we are not required too. Mrs. Bitting explained Mr. Moore views the SWA funding source as one pot of money. She indicated that we separate these funds into closure/post closure or future landfill construction but the SWA was not required to do this. Mrs. Bitting remarked that funding was constantly moved from one account to another. Mr. Bessant commented that Mr. Moore reviews the closure/post closure accounts annually.

Mrs. Bitting stated that funds are transferred to the landfill construction account. She indicated the transfers would cover the cost of the Piggyback Expansion Phase III. Mrs. Bitting remarked that the equipment replacement fund was fortunate enough to have funds allocated for the possibility of purchasing equipment for this fiscal year. She thanked staff for pushing equipment out in order for this fund to build up and add interest back to this account. Mrs. Bitting stated the designated construction and development account was not funded by tipping fees but through transfer made to this account. Mrs. Bitting mentioned that this fund was for the building of the roads on the landfill or construction here on the landfill. She remarked that the Environmental Parkway Road repair comes from this fund. Mrs. Bitting stated that the road would not be repaired this year unless funding was available.

Mrs. Bitting stated that the scales house upgrade, repairs and maintenance came from this account. She informed the Board that the upgrade to the scale house was great and the scale house clerks loved the upgrades. Mrs. Bitting indicated that the waste diversion and MRF contingency fund had no activity in either fund. She stated the SWA continued to fund the OPEB Obligation which was for future employment benefits.

MRF EMPLOYEES DISCUSSION

Mrs. Bitting stated that Mr. Johnson had asked for a contract analysis for the workers at the MRF. She indicated the information referenced the length of employment and the current rate of pay for these workers. Mrs. Bitting remarked benefits such as: sick and vacation, and uniforms were not factored in.

Mr. Johnson asked why these contract workers had not been hired permanently to work at the MRF. He commented that some of the contract workers had worked 10+years at the MRF facility. Mr. Johnson mentioned that the temporary agency was collecting over \$211,057.60 for the labor of these specific employees. Mr. Johnson stressed that normally temporary employees are only used for a brief period of time, not for 10+ years. He again expressed his concern that these positions were not permanent SWA positions.

General discussion ensued about the additional cost of benefits for these contract workers at the MRF facility. Questions were raised whether these employees wanted full-time employment. Mr. Bessant stated this had been offered to several of them. Staff mentioned that job descriptions were posted at the MRF facility when openings became available but none of the contract workers had inquired about these open positions. There was discussion about the increasing of the tipping fees to cover the shortage in revenue at the MRF facility. Mr. Knight stated it would take another \$1.00 increase in tipping fees to cover the cost of hiring the contract workers full-time, to include all the benefits such as health insurance, retirement, sick and vacation, etc. The cost would be an additional \$400,000 increase in the budget in order for this to happen. Staff remarked the Board could decide to make these employees full-time SWA employees.

Mr. Johnson made a Motion to make these temporary positions permanent at the MRF facility. The Motion failed for the lack of a second.

MOTION TO ADJOURN

There being no further business to come before the Board, **Mr. Schwartzkopf moved, seconded by Mr. Campbell to adjourn the meeting. The Motion was carried** and the Workshop was adjourned at 12:27 P.M.

Minutes approved on April 28, 2020.

HORRY COUNTY SOLID WASTE AUTHORITY, INC.

BY: _____(L. S.)
Michael H. Hughes, Chairman

ATTEST:

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

_____(L. S.)
Pam. J. Creech

_____(L. S.)
Bo Ives

_____(L. S.)
Samuel T. Johnson, Jr.

_____(L. S.)
W. Norfleet Jones

_____(L. S.)
Carl H. Schwartzkopf