

Saline County Regional Solid Waste Management District

Regular Board Meeting Minutes

April 18th, 2012

Board Members Present: Mayor Jeff Arey, Mr. Jim Erwin, Mr. J.R. Walters, Dr. Don Brashears, Mr. Bob McKeon, and Judge Lanny Fite

Others Present: Mr. Michael Grappe', Executive Director; Mr. Sam Ed Gibson, Attorney for SCRSWMD; Mr. Mike Lauderdale, Terry's Waste; Mr. Chad Lowry, Airport Commission; Mr. Jonathan Greer, Saline County; Mrs. Tai Marshall, Office Manager; Miss Tiffany Dunn, employee

Mayor Arey called the meeting to order and asked everyone to sign in.

Reading of Minutes: Mayor Arey stated the first order of business was the reading of the minutes from the March meeting. Mr. McKeon stated there was a typo on Pg. 3 and needed to change word "moved" to "movie". Mrs. Marshall said that she would change the typo. Mr. McKeon asked for clarification on the section about the Terracon fee generator. Mr. Grappe' clarified and stated it should read "permit that generates fees". Mr. J.R. Walters made a motion to accept minutes with changes. Dr. Don Brashears second the motion. All were in favor and motion passed with no opposition.

Reading of Financial Statement and Position: Mr. Grappe' read the financial statement and position report to the Board. Mr. Grappe stated the overall total was approximately \$4.5 million overall. Mr. Grappe' stated the District received \$124k in Revenue for March and spent \$66,687.32. Mr. Grappe' stated received another quarterly payment from Republic. Mr. Grappe' stated made payment for \$35k for unemployment because the District is on a Pay As You Go plan. Mr. Grappe' stated Recycling \$1483 in revenue and sold 16.48 tons/paper. The District received grant monies for \$83,015 and had \$10,247.20 in expenditures. There were a couple of general questions. Mr. J.R. Walters made a motion to approve the financial statement and position report. Mr. Bob McKeon second the motion. All were in favor and motion passed with no opposition.

Inter-District Tire Update-Jim Goble: Mr. Goble was absent.

Environmental Officer Update-Officer Blevins: Officer Blevins was absent.

Regions Trust Presentation (Closure/Post Closure Account) - Jim Lincicome: Mr. Grappe' introduced Mr. Jim Lincicome, Regional Portfolio Manager with Regions Trust Division, and Mr. Kevin Rogers, Institutional Trust Division, to the Board. Mr. Grappe' and Mrs. Marshall met with Regions last week to discuss options of what to do with that money after closing account. Mr. Lincicome stated the Board had been given authority from ADEQ to terminate the Closure/Post Closure Trust Account. Mr. Lincicome stated now ADEQ does not have control/regulations over the account, and it is up to the District on what do to with it. Mr. Lincicome explained that he suggested to Mr. Grappe' and Mrs.

Marshall to continue the same approach investment wise with the account. Mr. Lincicome explained how he had been managing the District's Closure/Post Closure account by investing the bonds. Mr. Lincicome stated in the last three years the bonds began being placed with agency securities in which about half are callable (meaning that government entity can call that bond in at anytime when it reaches a certain call date) and about half are non-callable (these help gain interest numbers). Mr. Lincicome stated this approach started around late 2008 because they weren't earning enough interest to offset trustee fees. Mr. Lincicome stated they changed this on all accounts to move out of the maturity curve but still keep the safety of the government rules and not get risky in terms of credit ratings. Mr. Lincicome stated this approach has worked well and now there are seven agency securities (about \$850,000) with about \$400,000 sitting in the money market due to three recent bonds that were called (sitting in cash waiting for the District to decide what to do with it). Mr. Lincicome suggested restructuring this account into an investment management account where the Board has total discretion using the current funds and adding additional funds to generate additional interest for the District to offset expenses. Mr. Lincicome stated that interest earned off this account now will be at the disposal of the District, meaning the District can use it for whatever they wish; it will not have the same restrictions the previous account had. Mr. Lincicome stated the other suggestion would be to restructure the account into an investment management account using the current funds from the Closure/Post Closure Account alone. Mr. Rogers explained he would create an investment policy setting guidelines on how to invest the money and work with the Board to structure account to suit its needs and determine exact administration for the account. Mr. Erwin asked if the District has ever had an investment policy statement before, and Mr. Lincicome replied no, followed a self insured pool due to State Statutes and followed rules for Closure/Post Closure trust account that is used for landfills. Mr. Lincicome stated the self insured pools have recently changed guidelines to include corporate bonds as part of the portfolio up to 25% of the portfolio, but they have to be Double A or better. Mr. Lincicome stated when you add corporate bonds; you add credit risks to a portfolio that you don't get a great deal of interest as compared to the current callable bonds. Mr. Lincicome stated that is why they stick to agency backed bonds. Mr. Erwin asked what the investment policy statement would have in it. Mr. Rogers stated this would be determined by the District's Board as to what they decide. Mr. Lincicome stated they usually have a very broad investment policy statement that is signed by a representative of the Board. Mr. Gibson stated that the guidance that governed the previous investment was for the trust and dictated to the Board by ADEQ. Mr. McKeon asked if these bonds would be collateralized or guaranteed. Mr. Rogers stated there are certain money markets that are collateralized. Mr. Erwin stated the return is not guaranteed. Mr. McKeon and Mr. Rogers both stated no the return is not guaranteed but you cannot lose it. Mr. Erwin asked on the reports it looks like most of the bonds look like intermediate term, is there a reason for this. Mr. Lincicome stated the sweet spots on interest rates right now are between seven to ten years which is what is needed to get reasonable interest rates. Mr. Lincicome stated they're constantly dealing with callable bonds through a self insured pool and that keeps the duration off callable bonds down to reasonable levels. Mr. Lincicome stated the restriction is usually to keep the duration to five years or less. Mr. Rogers stated because of the change in status of the account coming out of trust the cost to manage the account will go down significantly, by more than 50%. Mr. Rogers stated that the current fee per year is 30-40 basis points. Mr. Erwin asked Judge Fite what the County does in investments. Judge Fite replied the County Treasurer handles that. Mr.

Lincicome stated that the secured agencies are constantly restructuring debt. Mr. Erwin asked if bonds get called because interest rates go down not up. Mr. Lincicome stated normally, but not always the case. Judge Fite asked if the cash on hand in this account is currently invested in any way. Mr. Lincicome stated that it is in the U.S. Treasury Money Market Account, earning a minuscule amount of interest. Mr. Rogers replied approximately 2-3 basis points. Mr. Rogers stated interest rates are not expected to rise much in the next year or so. Mr. Lincicome stated this account will be actively managed and hopes one day in the next few years we will see interest rates rise. Mr. Erwin stated right now in this account, 36% is in cash (Treasury). Mr. Erwin asked what the fees would be if we use the cash and invest it. Mr. Lincicome stated about 40 basis points and that the trustee fee has been around 80 basis points, with Regions as the Trustee, because of the Judiciary responsibility. Mr. Rogers stated the Board will be moving from an environment where Regions was Trustee to strictly an investment agency account, where the Board is the directing agent who hires Regions to manage the account, so the liability decreases and the fee becomes much less expensive. Judge Fite asked if Regions does advisory positions or consulting arrangements. Mr. Rogers stated yes they do, and in that environment the consultant is typically responsible for hiring and firing managers and that cost is 25 basis points. Mr. Lincicome stated there are three bonds that will potentially be called at the end of this year. Mr. McKeon asked Regions to explain one of the bonds. Mr. Lincicome explained one particular bond (Fed. Farm) was bought October 4, 2011; the interest rate is 2.94%; it's ultimate maturity is October 4, 2021; and the bond is callable on October 4, 2012 – which means they can ask for that bond to be called in or taken away from us which happens all of the time. Mr. Rogers stated that if a bond is called, we don't get a choice; that agency takes the bond back and pays the accrued interest at that point. Mr. Rogers stated as interest rates rise, we will restructure the portfolio to offset any remarket value. Mr. Erwin asked if any of these bonds were mortgaged back. Mr. Lincicome stated no. Mr. Erwin asked where the District's revenue currently goes. Mr. Grappe' stated that money sits in the District Revenue account. Mr. Grappe' stated he would like to condense the current accounts to three: operating, savings, and recycling. Judge Fite asked if we need a subcommittee. Mr. Grappe' stated he knows what he would like to do to maximize the Districts accounts and if the Board doesn't agree then discussion can continue until the proper method is reached. Mr. Grappe' stated he had Mr. Lincicome do a spreadsheet for scenario showing build out from 1.3 million to 3.5 million with the current 7 bonds. Mr. Lincicome stated page 2 shows potential purchases and added money to 3 callable bonds. Mr. Lincicome stated next page shows use of current market values – prices and yields today vary; this was completed Monday but will be in ballpark range. Mr. Lincicome stated the next page is the summary sheet and the 4th column shows the annual income would generate approximately \$89,000 gross and pay \$10,000 fee for management services to make a net income of \$79,000. Mr. Lincicome noted that all interest accrued on this account before, never benefited the District directly. Mr. Grappe' stated he would like to move \$700,000 to the current \$1.3 million in the Closure/Post Closure account and begin an investment management account through Regions and consolidate the unneeded accounts at First Security. Mr. Grappe' stated we are about to build two recycle centers and there will be costs associated with that and at the end of the year we can determine if we would like to reinvest any other money to the bond account. Judge Fite made a motion to do this. Mr. Erwin second the motion. There was no discussion. All were in favor and motion passed with no opposition. Mr. Lincicome stated he would get an investment policy statement together to present to the Board.

Executive Director Update

Project Updates

(APC/SRC/LRC)-Mr. Chad Lowry: Mr. Chad Lowry presented new drawings to the Board of the APC/SPC. Mr. Lowry stated had overcome many hurdles to meet City requirements. Mr. Lowry stated Heritage Engineering had to move building position slightly at APC due to sewer and power lines. Mr. Lowry stated waiting on easement from Entergy, but in final stages and almost ready to get stamped and start construction bids. Mr. Lowry stated have not received results from Core samples yet. Mr. McKeon asked who the lease at the Airport would be with. Mr. Grappe' stated the Saline County Airport Commission not the City of Bryant. Mr. Walters asked when the proposed ground breaking would be. Mr. Grappe' stated hopefully next month. Mr. Erwin asked when the proposed completion would be. Mr. Grappe' stated August 2012.

(HSVPOA): Mr. Grappe' stated he went to HSV last week to gather information and is working on a cost analysis for transfer station. Mr. Grappe' stated he has Miss Tiffany Dunn in charge of working the analysis and time studies. Mr. Grappe' stated HSV should be returning the requested data this week and Terracon has completed preliminary drawings for transfer station and then will decide if need to move forward. Mr. Grappe' stated Garland County called last week and stated needs agreement signed by District and HSV for flow control, so he has referred them to ADEQ.

(PMI): Mr. Grappe' stated he had introduced Mr. Terry O'Maley from PMI out of Texas to the Board months ago who he had planned to partner with for an Electronic Waste program to reclaim precious metals from the waste. Mr. O'Maley wanted control of the entire program and after much thought, Mr. Grappe' and Esco decided it would be in the best interest of the District to cut all ties with PMI.

Recycling Update

Ripple Glass: Mr. Grappe' stated he spoke with Ms. Donna Utter on what types of glass the District can accept. Mr. Grappe' stated Ripple Glass is having an Open House during May in Kansas City. Mr. Grappe' stated that we will begin collecting glass in August, then ship it to Ripple, and Ripple will send us fiberglass that the District will then donate to help build low income housing.

Plastics Processing in Detroit: Mr. Grappe' stated he went to Detroit with ORE to watch the plastic processing and learned what and what not to collect and bale. Mr. Grappe' stated this center processes 300 tons of plastic per day. Mr. Grappe' stated this company pays \$0.30/lb for material and this number fluctuates based on market. Mr. Grappe' stated they accept grades 1-7 and China is the biggest buyer. Mr. Grappe' stated ORE will broker the plastic shipment for us.

Website: Mr. Grappe' stated the website has been updated with the new commercial, District audits, and an education page. Mr. Grappe' stated the audit page was added because of past FOI request and he would like to put an FOI policy in place by the end of year with the help of Mr. Gibson.

E-Waste Grants: Mr. Grappe' stated the E-Waste grant applications are due to ADEQ by May 1st. Mr. Grappe' stated have already been pre-approved for five E-waste grants.

Events Update

Earth Day Celebration: Mrs. Marshall stated the District will be hosting a 2012 Earth Day Celebration event April 23-27 from 8:30am -4:00pm at the Old Harvest Foods parking lot on Main St. in Benton. Mrs. Marshall stated the District will be collecting paper, cardboard, glass, aluminum, metal, appliances, plastic, and E-waste. Mrs. Marshall stated the District launched its first commercial through Comcast cable to advertise this event, along with bulletins throughout the County, and also website, radio, and newspaper advertising too. Mrs. Marshall stated Civitan Services would be volunteering to help at the event.

Environmental Officer Summit: Mr. Grappe' stated the Environmental Officer Summit was a huge success with 42 people present. Mr. Grappe' stated Craighead County will host the next summit in fall 2012. Mr. McKeon stated the message was well received. Mr. Erwin stated this opened a lot of doors and addressed several important concerns. Mr. Grappe' stated he is meeting with Representative Kim Hammer next week to address issues for the next Legislature.

Miscellaneous: Board asked to begin keeping track of number of hits on website monthly.

Old Business

Forklift Purchase: Mr. Grappe' stated that the District is in need of a better forklift. Mr. Grappe' stated the current forklift has lots of issues and have had it quoted for estimate. Mr. Grappe' stated it would be in the District's best interest to go out for bids for new one due to the cost of repairs. Judge Fite made a motion to go out for bids for a new forklift. Dr. Brashears second the motion. All were in favor and motion passed with no opposition.

Horizontal Baler Purchase: Mr. Grappe' stated he has located a horizontal baler for \$160k that will allow everything in the recycle center to be compacted for shipment in a timely fashion and meet demands of current recycle intake. Mr. Grappe' stated the District will go out for bids for this baler. Mr. Grappe' stated Republic is now bringing its paper loads to LRC and the intake for paper has more than doubled. Mr. Walters made a motion to go out for bids for the horizontal baler. Mr. Bob McKeon second the motion. All were in favor and motion passed with no opposition.

Land Purchase: Mr. Gibson stated he has forwarded all information regarding sale to Mrs. Marshall, Mr. Grappe', and Mayor Arey. Mr. Gibson stated sale is complete and original land deed will be received by District in next few weeks. Mr. McKeon asked if we need insurance on this property. Mr. Grappe' stated yes and will do this through CARMA.

Airport Commission Contract: Mr. Gibson stated this contract is still in process of review and that he is currently comparing notes with Mr. Greer. Mr. Grappe' is waiting on memo from Mr. Gibson for adjustments. Mr. Gibson stated all blanks will be filled in according to OPI requirements and these are included because of FAA requirements by law. Mr. Gibson stated this will satisfy both parties.

New Business: Mr. Grappe' stated working on RFP for Contractor to collect recyclable material for our current pick-ups and shuttle trucks from new recycle centers. Mr. Erwin asked if there will be a drainage

system at the APC. Mr. Grappe' and Mr. Lowry stated yes. Mr. Erwin asked about dirt work. Judge Fite stated a four lane road will be put in and will use dirt for fill to help drainage project. Mr. McKeon asked if the District is required to file joint legislative audit. Mr. Gibson stated no, but does do audit yearly through Yoakum & Lovell. Mr. Erwin asked Mrs. Marshall to please print check register in landscape format.

Public Comments: There were no public comments.

Mr. Walters made a motion to adjourn. Mr. McKeon second the motion. All were in favor. Meeting adjourned.