

**MONTGOMERY-OTSEGO-SCHOHARIE SOLID WASTE MANAGEMENT
AUTHORITY
BOARD MEETING #4**

DATE: May 18, 2006

LOCATION: Howes Cave Administrative Complex

Members Present

Joan Bent
Martha Clarvoe
Raymond Halgas
Rudolph Laguna
Meredith McNeil
Olga Podmajersky
William Strevy

Members Absent

Edward Wesnofske

Others Present

Gilbert Chichester
Marijeanne Broadwell
Robin Loske
Terry Bliss
Will Reynolds
Michele Vien
Chris Chale

1. Opening

Chairman Laguna opened the meeting at 10:14 a.m.

2. Adoption of Agenda

Meredith McNeil motioned, seconded by Raymond Halgas, to adopt the Agenda. The motion was unanimously approved on voice call.

3. Privilege of Floor

Chairman Laguna offered privilege of the floor. No one came forth.

Mr. Chichester suggested that Will Reynolds and Michele Vien of Bollam, Sheedy and Torani take the floor at this point to review the Annual Financial Audit with the Board.

Mr. Reynolds stated that there was some concern on the part of his firm as to how the audit would go because Ms. Morlang is no longer employed by the Authority. The audit did go well for two reasons, which was Ms. Morlang's pre-preparation and Ms. Broadwell's participation.

Ms. Vien took the floor and reviewed the draft Financial Audit as attached hereto. Some of the highlights are as follows:

- Page 1 - Report of Independent Certified Public Accountants: Ms. Vien pointed out that this page represents the Auditor's opinion. The last two paragraphs are required by GASB 34.
- Pages 2-6 - is the Management Discussion and Analysis.
- Page 7 - Balance Sheets: Overall the assets were down \$546,000 for the year. Fixed assets were down \$395,000 due the depreciation of \$510,000 offset by the fixed asset additions of \$120,000 the larger being the new truck scale at the Amsterdam Transfer Station. Account receivables were up by \$150,000 primarily due to a reimbursement that will be received from FEMA relative to the Eastern Landfill.

Ms. Podmajersky asked what the prepaid expenses consisted of. Ms. Vien stated that prepaid expenses are insurance, fuel, the new scale computer system, etc. Ms. Podmajersky asked if any accounts were overdue. Ms. Vien responded that all accounts are current.

Ms. Podmajersky pointed out that 90% of the \$6.9 million in the cash reserves is deposited in the First Niagara Bank because of the high interest they pay. She asked if the Auditor's felt there is a risk to have that much money in one account and if it is sufficiently collateralized. Ms. Vien responded that it was sufficiently collateralized. Mr. Reynolds pointed out that there is always a risk of bank failure but if one bank goes down they will all go.

Mr. Strevy asked if the Authority had any outstanding litigation. Ms. Vien responded that there was no outstanding litigation at this time.

- Page 8 - Statements of Revenues, Expenses, and Changes in Net Assets: Operating revenues increased by about \$400,000. \$392,000 of that is due to an increase of outside waste of about 10,000 tons plus there was a rate increase of \$2.00 per ton for the last three months of the year for outside waste. Operating expenses were also up.
- Page 9 - Statements of Cash Flows: This page reconciles the cash flow from the beginning of the year to the end of the year. Operations generated about \$2.2 million in positive cash flow. Funds used from that cash flow were for the purchase of fixed assets, paying down the debt and the interest on the debt. The net increase in the cash flow was \$319,852.
- Pages 10-18 Notes to Financial Statements: Ms. Vien reported that this part of the report reflects on what happened during the year. She noted on page 17 that the amount of \$40,380, as potential reimbursement to Schoharie County for their GAT overage, is incorrect. The journal entry will be corrected to read \$48,456.

“Note I” on page 18 explains that there might be a negative impact to the Authority due to GASB 45 which requires the Authority to establish uniform standards of financial reporting for post-employment benefits other than pensions. This needs to be established for the fiscal year ending December 31, 2009.

- Page 20-21 - Operating Expenses: Overall, operating expenses were up from the prior year. The main cause of the increase was due to the estimate prepared by the engineers of \$389,000 for post closure monitoring of the landfills. Disposal and transportation fees were up because of the increase in tonnage. Equipment repairs and maintenance was up by \$182,000. This was primarily due to the repairs to the Eastern Landfill. However, some of costs will be reimbursed through the FEMA grant.
- Matters to be communicated to the Finance Committee: Ms. Vien explained that in conformance with the Auditing Standards, the auditing firm is required to advise the Committee on matters relating to the audit. Some of the matters communicated are as follows:
 - During 2004 the Authority changed its financial accounting and reporting to comply with provisions of GASB 34.
 - The transfer stations are recorded at a net book value of approximately \$5.7 million. This represents the historical cost of acquisition and construction of the transfer stations. However, management feels that the fair value of the transfer stations is less than the book value. Mr. Reynolds stated that the Board, management and the Auditor’s agree that as long as the costs can be recovered through the tipping fees over the life of the transfer stations it is appropriate to keep the net value at \$5.7 million. The \$5.7 million reflects the depreciated value of the transfer stations. Ms. Podmajersky stated that if the \$5.7 million reflects the depreciated value of the transfer stations then it does not appropriately represent the cost of their acquisition and construction. Mr. Reynolds stated that Ms. Podmajersky made a good point and the report would be corrected to state the net book value of the transfer stations represents the depreciate value.
 - There is a liability of approximately \$3.2 million for post closure activities for the landfills as estimated by the engineers. Mr. Chichester stated that the liability includes all of the landfills not just the \$1.5 million for the Eastern Landfill. Mr. Strevy asked if dedicated amounts have been set up for the post closure activities for all the landfills. Mr. Chichester responded that the Authority is required to maintain the landfills but is only required to set up funds for post closure activities for the Eastern Landfill. The other landfills were closed prior to the regulation that requires trust funds be established for post closure activities. The Authority did make a request to DEC to use the Service Agreement as

collateral for the Eastern Landfill post closure activities. As of yet DEC has not responded to this request.

Mr. Strevy pointed out that the funds show as unrestricted, which means that at some point the Board might be looking for unrestricted cash and may consider using the funds. Mr. Chichester stated that the funds are deposited in the Rate Stabilization Fund and broke down in components and is ear marked for the post closure activities.

Mr. McNeil asked if the funds should be marked as restricted. Ms. Podmajersky stated that she already feels that the funds are restricted and the Board is aware of its obligation for the post closure activities.

- The ability of the Authority to meet its obligations is dependent upon Montgomery, Otsego and Schoharie Counties providing adequate waste flow and/or supporting MOSA's cash flow needs.
- Accountants' Certification: Ms. Vein reported that the Auditors are required to review the various sections of the Trust Indenture to make sure the Authority is in compliance with all the bond covenants. The Auditors inquired of the management, the bond counsel and the Trustee as to their knowledge of any violations. An Event of Default of the Trust Indenture did not exist as of the date of the report.
- Letter to Management: Mr. Reynolds explained that the letter includes comments and suggestions with respect to matters that came to the Auditor's attention in connection with the Audit. The items are offered as constructive suggestions and the letter is not to be considered as part of the Audit.

Mr. Strevy stated that he found some of the comments unusual and there were some comments that should have been included and were not.

Comments are as follows:

- The Authority is using the Rate Stabilization Fund to balance its budget. Mr. Reynolds stated that the fund should be used only in extreme cases so that funds are there when needed for an extreme case. He indicated that other methods should be used to keep tipping fees competitive.

Mr. Strevy commented that he felt that the Rate Stabilization Fund was to be used to keep the tipping fee competitive.

- The Authority needs to implement a long-range plan, which would include operational aspects and cash flow impacts of the alternatives, including rates and future borrowing requirements.

- The management team has been understaffed for some time. With the recent departure of the Finance Director it further reduced the ability of the Authority to segregate duties and allow for review and monitoring. Mr. Reynolds pointed out that if something happens to one of the management staff there is no backup.
- The Executive Director has been working without a contract for 18 months. This could lead to potential litigation.
- The Authority should consider providing a conduit by which its employees, vendors, and subcontractors can anonymously report suspected instances of misconduct.
- There were several suggestions in the March 1, 2005 letter that have not been addressed as of yet.

Ms. Podmajersky stated that she did not get a copy of the letter. She indicated that she did not get a bound copy of the last Audit, which the letter was a part of.

- The Public Authorities Accountability Act of 2005 requires formal training of the Board members on their legal, fiduciary, ethical and personal responsibilities. Mr. Chichester indicated that he and several of the members recently attended training.

Ms. Podmajersky pointed out that the Authority is governed by its Bond Indenture and a lot of what is required by the Bond Indenture is included in the Act.

Mr. Reynolds felt that having an internal auditor on staff would be a great benefit to the Authority.

Ms. Podmajersky stated that the one item she would expect to see in the letter is the fact that the Authority is currently operating without a Transportation and Disposal Contract. There is only a Letter of Intent at this time. In her opinion this could cause a major impact on the Authority. From a financial standpoint, the payments being made to the hauler are the 2004 rates. Mr. Reynolds agreed that this matter should be included in the letter.

Mr. Chichester responded that Ms. Broadwell pointed out to him that the transportation and disposal rate paid in 2005 was the contractual rate for 2005. The transportation and disposal costs reflected in the audit are accurately represented. The audit is for the year 2005. Since January 1st

of 2006 the Authority does not have a contract for transportation and disposal and has continued to pay the 2005 rate.

Mr. Chichester stated that the Transportation and Disposal Contract would be addressed in the 2005 Annual Report.

- There were no reportable conditions noted.

Ms. Vein and Mr. Reynolds left their business cards and informed the members that they could call them with any questions that they might have.

4. Minutes of Prior Meeting

William Strevy motioned to accept the minutes of the prior meeting of March 16, 2006 as written. Meredith McNeil seconded the motion. The minutes were unanimously approved on voice call.

5. Reports

Chairman

Chairman Laguna read the following remarks, which he prepared:

“ I think you would all agree, that in your day-to-day life, or in your work, if you are not achieving your goals or getting what you want, that you would probably change what it is your doing. Tweak the plan a little. At the very least, you would no doubt reevaluate what had gotten you where you are or aren't. Successful businesses do this all the time.”

“MOSA, though technically not a business, is ‘in business’ to facilitate environmentally sound and cost effected disposal of its three constituent counties’ solid waste. MOSA is a public benefit corporation, and we who sit on its governing board are entrusted and, more importantly, empowered to oversee a cooperative and coordinated regional solid waste management program. It is our responsibility to the ‘greater’ public we serve.”

“I use the term ‘greater public’ to differentiate between the public of each individual county. We on the Board represent our individual counties, yes. And then there is the accountability issue. Sometimes, casting votes in the interest of the Authority, which will benefit a greater number of people, will not be popular on the county level and could also lead to backlash at the polls for the elected officials among us. I feel that this dichotomy, this wearing of two hats so to speak, is largely responsible for MOSA’s not having been able to make any concrete plans for 2014 and beyond.”

“With eight years remaining in the Service Agreement, it is about time and long overdue that we reevaluate where we are currently and where we want to go. It is high time to be proactive and reactive; positive not negative. Let’s take a look at some of the innovative things being tried in neighboring counties. Let’s research and discuss waste-to-energy options. And most importantly, it is time to put aside the perception held by some (either on our board or in our respective counties) that MOSA is going to disappear magically in 2014. Operating under this assumption, and spending down all reserves is, I think, both short sighted and irresponsible given the charge of the Authority.”

Mr. Laguna reported that one of the major discussions at the Planning Committee, which took place before the Board meeting, dealt with long range planning. He suggested that the Planning Committee and the Board take a look at the Solid Waste Management Plan that was developed in 1996 and give some thought to what is going to happen in the remaining years of the Service Agreement.

Executive Director

Mr. Chichester reported as follows:

Personnel Issues - Mr. Chichester reported that a great amount of the time has been spent reviewing applications for the positions of Transfer Station Operator, Accountant and Director of Safety and Operations.

The Transfer Station Operator position has been filled. Harry Morey, Transfer Station Supervisor at the Amsterdam Transfer Station has retired and Robert Crouse, Transfer Station Supervisor, located at the Western Transfer Station has taken over the responsibility of the Amsterdam Transfer Station also.

Mr. Chichester is preparing a report relative to the Accountant and Director of Operations and Safety for the Personnel Committee’s review.

Operations - Mr. Chichester reported that issues raised at the last Operations Committee meeting are being addressed. Information has been obtained relative to alarm systems for security and fire purposes, tarping systems and the Oneonta Transfer Station retrofit. Mr. Chichester has had meetings relative to the concerns at the Northern Transfer Station. Mr. Chichester felt that an Operations Committee was in order to review the information.

Financial - Mr. Chichester stated that he and Ms. Broadwell have been relating to the Auditors. Reporting issues are being addressed. The Annual Report is almost complete. Once the Board passes the Resolution accepting the Audit it will be included in the Annual Report and the Report will be distributed appropriately.

Transportation and Disposal Contract - Mr. Chichester stated the Transportation and Disposal Contract is still not completed because there has been a change of legal counsel

at both Riccelli and Casella, which is causing a delay. The subcontract with Waste Management is in place.

Financial Report

Ms. Broadwell reported on the March and April Financial Report as follows:

March

Page 5 – **Transportation and Disposal:** Through March the Highland Landfill received 68% of the waste, Ontario received 29% of the waste, Chemung received 2% of the waste and Seneca Meadows received less than 1% of the waste.

Page 6 - **Trailers Placed at Project Sites:** In March, MOSA placed three trailers at the demolition site of a barn in Cherry Valley. The total tonnage for the project was 45.47 tons.

April

Page 5 – **Transportation and Disposal:** Through April the Highland Landfill received 59% of the waste, Ontario received 38% of the waste, Chemung received 2% of the waste and Seneca Meadows received less than 1% of the waste.

The rate showing for T&D is the 2005 rate. The Authority is awaiting the finalization of the contract to establish the rate for 2006.

Page 15 – **GAT:** Based on the GAT deliveries through April, all three Counties are projected to be over their established GAT. The total projected GAT overage is 7,239 tons.

Page 16 - **Outside Waste Tonnage by Hauler:** The total outside waste deliveries for 2005 vs. 2004 is up by 1,172 tons.

Page 17 - **Historical C&D Deliveries by County and Large Projects:** C&D material from the Sugar Shack Restaurant in Fultonville was delivered to MOSA totaling 111.39 tons.

Page 19 – **Recycling Summary:** Paper was delivered to Sierra Fibers for which MOSA received \$34 per ton. The containers were delivered to Ulster County and the Authority charged \$47 per ton for disposal of the containers.

Committee Reports

Personnel Committee

There has been no Personnel Committee meeting since the last Board meeting.

Finance Committee

There has been no Finance Committee meeting since the last Board meeting.

Operations Committee

Mr. Laguna reported that the Operations Committee met on March 22nd and discussed and reviewed the following matters:

- **Alarm and Security Systems:** The Committee authorized the Executive to solicit proposals for installing, inspecting and/or modifying alarm systems at all the transfer stations.
- **Repairs needed at the Eastern and Central Landfills:** Repairs need to be made to the leachate system at the Eastern Landfill. Additional work needs to be done relative to the inspection made by the U.S. Army Corps of Engineers relative to the erosion from storm damage in April of 2005. The estimate to complete the necessary work is estimated at \$20,000.

Additional manholes need to be installed at the Central Landfill to facilitate cleaning of the leachate system. The pump house needs to be rebuilt because the building is deteriorating. There is leachate seepage that may lead to some remediation work. The swales across the front of the landfill need to be repaired with some new drainage ditches. The estimated cost of the work to be done is \$8,000.

The Committee authorized the Executive Director to take the necessary steps to get the work done.

- **Northern Transfer Station:** Otsego County has requested the Authority consider the following relative to the operation of Northern Transfer Station:
 - Have the station open more than two days week.
 - The ability to place more containers for tires and scrap metal.
 - Remove the current restriction regarding the type of vehicles that can use the site.
 - The ability to bring waste from County owned buildings to the site instead taking it to Oneonta.

The Committee discussed the current layout of the site and the history that brought it to the current configuration. The use of the old compactor was discussed. The compactor would not be homeowner friendly.

The size of the site was discussed relative to the ability to maneuver, tarp and store trailers in light of all safety standards that must be met.

The Committee will discuss the Northern Transfer further at future meetings once additional information has been obtained.

- **Oneonta Transfer Station Retrofit:** The Committee reviewed at length a report prepared by Golder Associates along with associated drawings. The Committee will review the material further at another meeting.

Mr. Halgas stated that after reviewing several proposals relative to the Oneonta retrofit it seemed that single stream recycling would be the best for Otsego County.

- **Tarping System:** The Committee viewed a video made by Carbis Incorporated relative to automated tarping systems for covering loads. The cost for this type of system is estimated at \$300,000 for all four stations.

Mr. Strevy asked if the Authority was still having problems with the pigeon situation at the Oneonta Transfer Station. He stated that he had seen a machine on TV, which is suppose to discourage pigeons. Mr. Chichester responded that he to had seen such a machine used in cornfields to deter crows. Ms. Clarvoe indicated that she had seen spike like devices used to discourage pigeons also.

Planning Committee

William Strevy reported that the Planning Committee met prior to the Board meeting and discussed the following matters:

- **C&D Landfill:** The Committee discussed the proposed C&D Landfill in the City of Amsterdam. The Committee directed Mr. Chichester to respond to the DEIS once it was open for comments.
- **United Haulers Second Circuit Decision:** The matter of flow control will be forwarded to the Supreme Court because the Circuit Courts could not make a decision. Mr. Chichester felt the Supreme Court would be hearing the matter sometime in October.
- **MOSA Post 2104:** The Committee recommended that the existing Solid Waste Management Plan be reviewed and updated if feasible.

- **Tip Fees:** The Committee discussed making the Counties aware that a potential increase in the tipping fees will be forth coming.

6. **Old Business**

Transportation and Disposal Agreement

William Strevy motioned to go into executive session to discuss the ongoing negotiations for the Transportation and Disposal Agreement. Raymond Halgas seconded the motion and the motion was unanimously approved. The executive session began at 12:10 p.m.

Meredith McNeil motioned to come out of executive session. William Strevy seconded the motion and the regular meeting reconvened at 1:20 p.m.

Household Hazardous Waste

Mr. Chichester reported that the Authority budgeted funds to reimburse the Counties for their Household Hazardous Waste programs. DEC will reimburse the Counties 50% of the costs and the Authority will pay the rest of the costs associated with these programs. The Household Hazardous Waste days will be held as follows:

Montgomery County	October 7, 2006
Otsego County	September 9, 2006
Schoharie County	September 16, 2006

Hiring Accountant

The subject of hiring the new Accountant needs to be reviewed by the Personnel Committee prior to Board approval.

7. **New Business**

Resolution Number 15 Authorizing Refund of a Portion of 2005 Subsidy for Solid Waste Tonnage Delivered by Montgomery, Otsego, and Schoharie Counties} Sponsored by William Strevy - Seconded by Raymond Halgas

The Resolution would authorize the reimbursement to the three Counties for their share of the GAT aggregate overage as follows: Montgomery County \$61,236; Otsego County \$36,569 and Schoharie County \$48,456.

Mr. McNeil stated that he was not going to support the Resolution in light of the Authority's financial situation. He felt that the money should go back into the Rate Stabilization Fund. Mr. Laguna stated that he felt the same way. He indicated that the GAT might have been set artificially low and this should be kept in mind this year when the GAT is being established.

Ms. Clarvoe asked for an explanation of the reimbursement. Mr. Chichester explained the past practice relative to the reimbursement.

Mr. Strevy stated that from the Counties standpoint it has to meet the GAT. Anything over the GAT should go back to the County residents. He is in support the Resolution. Mr. Halgas and Ms. Podmajersky agreed with Mr. Strevy. Ms. Podmajersky stated that some County's GAT might be understated but others are not.

On roll call the Resolution was adopted with five members voting "aye" two members (Laguna, McNeil) voting "nay" and one member (Wesnofske) "absent".

Resolution Number 16 Acknowledging Receipt of the Financial Audit for 2005 and Directing its Proper Distribution} sponsored by Meredith McNeil – Seconded by Martha Clarvoe

On roll call vote the Resolution was unanimously adopted.

Mr. Strevy asked for a copy of the engagement letter with Bollam, Sheedy & Torani after the conclusion of the meeting.

Scrap Metal Collection at NTS

Mr. Chichester informed the members that the Town of Otsego is requesting the use of the Northern Transfer Station for a scrap metal collection event. The Town wants to try to prevent the dumping of white goods and tires along the roads by having a clean up. In considering the request, it seemed appropriate for the Authority to open the clean up to the whole northern Otsego region. The issue needing resolution is whether the Authority should charge for white goods. Currently, the Authority does charge \$3.00 per unit for scrap metal. Mr. Chichester reported that scrap metal markets are paying a higher amount for the metal. He wondered whether the Authority wants to continue to charge for scrap metal or eliminate the charge and allow the scrap metal to flow and take it to markets, which will pay. If the Authority did this it would open collection events at the NTS that would serve the greater northern Otsego County area, which would be positive for everyone involved.

The Board would have to approve the use of the Northern Transfer Station for such an event. If a decision were made to eliminate the charge for scrap metal the Board would have to approve amending the 2006 Rate Schedule to reflect the change.

Mr. Halgas asked if any other requests have been made to use the sites for this purpose. Mr. Chichester explained that the Schoharie County currently holds a scrap metal event every third Saturday of the month at the Schoharie Transfer Station. There is no charge to residents and they are allowed to bring in items with freon. The County has a contract and pays a vendor to remove the freon.

Mr. Halgas felt that since the Authority is getting paid for the scrap metal the Rate Schedule should be amended to eliminate the charge for the time being. If the markets fall and it starts to cost the Authority money the Rate Schedule could be amended again to add the charge.

Ms. Bent pointed out that in the past there has been contaminated material, such as oil, mixed in with Schoharie County's scrap metal. Mr. Chichester stated that the Authority does not permit liquids into its facilities and staff could monitor what is being disposed of. Also the Authority will not accept items with Freon in them.

Raymond Halgas motioned, seconded by William Strevy, to amend the 2006 Rate Schedule to eliminate the charge for scrap metal. On roll call the motion was unanimously approved.

Tour of Delaware County Co-Composting Facility

Mr. Chichester reported that Ms. Podmajersky had toured the Delaware County Co-Composting Facility. The facility is willing to give the whole Board a tour if they so desire.

Ms. Podmajersky recommended that all members interested in new technology to go. She presented the Board members with a memo she prepared on the tour (attached hereto).

A tentative date of June 16th was set for any members who are interested in touring the site.

Tour of Solid Waste Facilities at Ontario County - Operated by Casella Waste Management

A tour of the Ontario County facility is set for Wednesday, May 24th, for any members interested in attending.

Terry Bliss stated that the main reason for the tour was so that Otsego County officials could see the new single stream MRF. Casella is providing the transportation and anyone interested in going should be at Oneonta by 8:00 a.m.

Next Board Meeting

Chairman Laguna announced that the next scheduled meeting is July 20th at 10:00 a.m. Mr. Laguna stated that a meeting might be necessary before depending the T&D contract negotiations.

Audit and Governance Committee

Ms. Podmajersky asked how the Audit and Governance Committee, as stipulated by the Public Authorities Accountability Act of 2005, would be established. Mr. Chichester stated that the Authority's By-Laws would need to be amended to include the two new Committees and how they should be established. He will present the amendment at the next Board meeting.

8. Closing

William Strevy motioned to adjourn the meeting. The motion was seconded by Meredith McNeil and was unanimously approved on voice call.

The meeting adjourned at 2:18 p.m.

Respectfully Submitted,

Robin Loske
Confidential Secretary