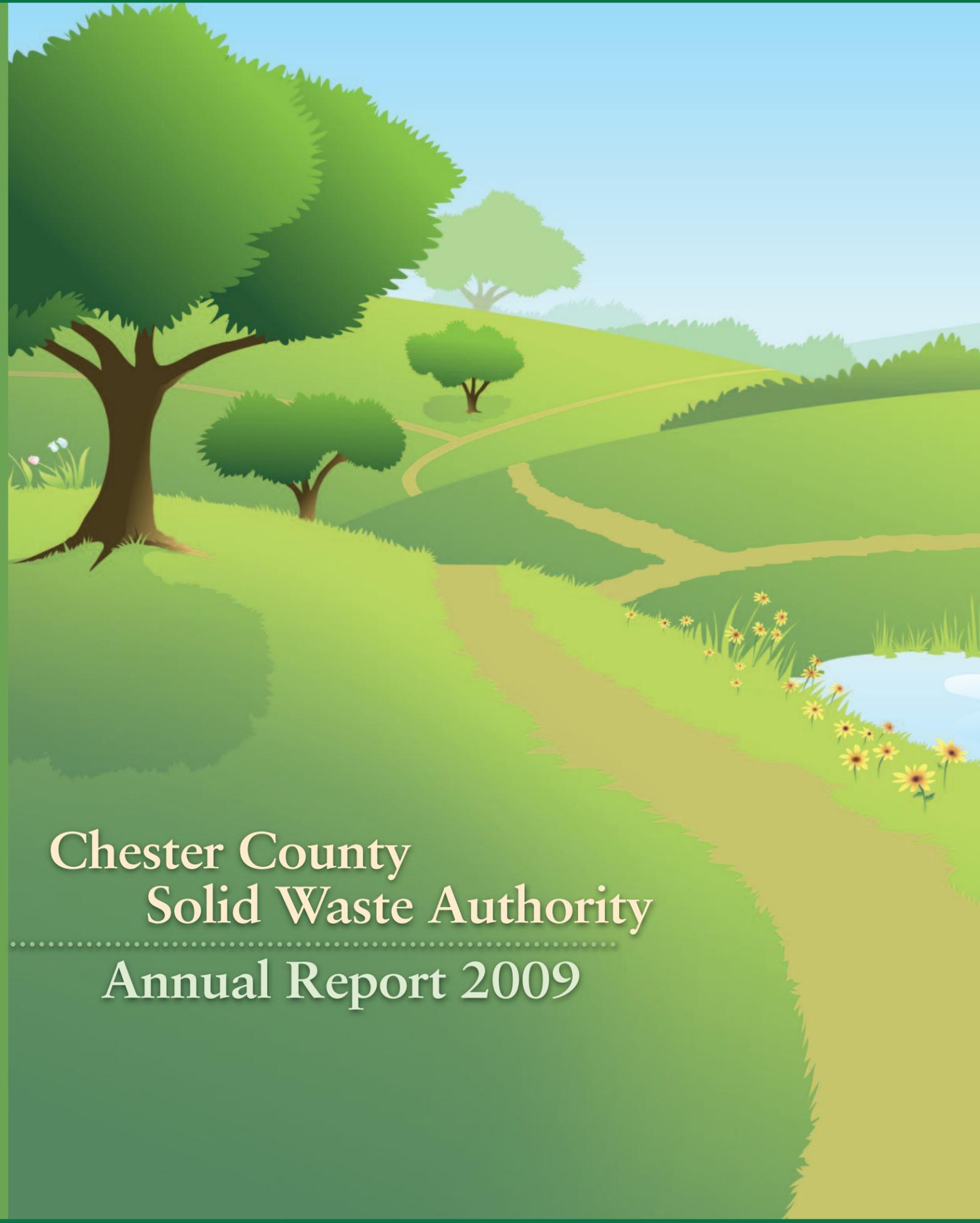




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Chester County Solid Waste Authority

Annual Report 2009



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About The Authority And Its Members

The Chester County Solid Waste Authority was established by the Chester County Commissioners in August 1984. That same year, the CCSWA became the owner and operator of the Lanchester Landfill in Honey Brook, PA.

The Authority is comprised of volunteer Chester County business persons and one representative from Caernarvon Township, Lancaster County. All members of the Authority serve without compensation or benefits.



DR. ROBERT J. SCHOENBERGER
Chairman
Semi-Retired, Environmental Consultant

A resident of Upper Uwchlan Township, Dr. Schoenberger serves on the Township Planning Commission. A former Chairman of the Pennsylvania Governor's Solid Waste Advisory Committee; he has 45 years experience in the solid waste industry.



VINCENT CAROSELLA
Member
Attorney at Law

A resident of West Vincent Township, Mr. Carosella has many years of experience in the solid waste industry. He is the President of the law firm of Armstrong & Carosella, P.C. based in West Chester, PA.



RAMSEY G. DILIBERO
Vice Chairman
Retired President of BFI International

A resident of West Nantmeal Township, Mr. DiLibero was inducted into the Environmental Hall of Fame in recognition of his 30 years of service to the industry.



PETER J. MARROLETTI
Member
Retired BFI Manager

A resident of Charlestown Township, Mr. Marroletti has 28 years experience in the solid waste industry.



DANTE W. RENZULLI JR.
Secretary
Attorney at Law

A resident of West Goshen Township, Mr. Renzulli serves on the board of the West Whiteland Fire Company.



WILLIAM H. SHIRK
Member
Semi-Retired Data Processing Consultant

A resident of Caernarvon Township, Bill Shirk is now SR Systems Analyst at IBC and is past president of Red Rose and is president of Caernarvon Historical Society.



PETER W. KNIPE
Treasurer
Chief Financial Officer STV Group, Inc., an international consulting engineering architectural company

A resident of North Coventry.

The Staff At Lanchester

EXECUTIVE

Robert A. Watts, Executive Director

BUSINESS/ADMINISTRATION

James M. Gorney, Business Manager

David B. Lozenski, Assistant Business Manager-Finance

Peggy Cunius, Accounts Payable/ Administrative Assistant

Michael J. Smale, Weighmaster

Barbara Skiles, Weighmaster (part-time)

Jim Jennings, Weighmaster (part-time)

Jeffrey Watts, Weighmaster (part-time)

ENGINEERING & COMPLIANCE

ENGINEERING

Owen R. Esterly, P.E., Facility Engineer

COMPLIANCE

Teresa A. Devine, Compliance Officer

Sharon Andrien, Maintenance Worker

WATER MANAGEMENT

Gary Laird, Manager of Water Operations

Henry Palmer, Water Operations Assistant

RECYCLING

Nancy Fromnick, County Recycling Coordinator

Irene Perry, Administrative Assistant

OPERATIONS

Gerald A. Myer, Superintendent

Earl L. Graham Jr., Operations Supervisor

Dawn E. Nichols, Operations Asst.

MAINTENANCE & REPAIRS

Thomas M. Barbarish, Mechanic

LANDFILL OPERATIONS

George E. Carlson, Operator

Steve Dunn, Operator

Robert Hollenbaugh, Operator

Randy G. Savage, Operator

Jacob A. Houck, Operator

Carlos Alicea, Utility Worker

Bill Bramm, Operator

Tom Kostingo, Operator

Letter From The Chairman



The economic turmoil that has gripped much of the United States did not spare Lanchester's operations. In 2009 we received less waste for the third consecutive year. Is this a trend or is it only a temporary impact caused by the economic volatility? Our role as a municipal authority requires us to

provide quality service to the residents of Chester County, optimize environmental stewardship, plan for meeting future goals, all of which are of the highest priority, irrespective of operational hurdles. Because of stresses in the economy, the Authority decided to minimize the fiscal impact on our customers and opted to hold disposal rates constant. The obvious result of fiscal constraint is a reduction in some programs and capital expenditures until finances improve.

Enough discussion of our problems, our most exciting activities involve looking to the future to choose programs and technologies that reduce environmental impact; improve treatment, disposal and recycling activity; and move solid waste management toward a goal of zero negative footprint.

Our total operation staff led by Executive Director Bob Watts has the gratitude of the Authority, and we commended them on making Lanchester a model of good operation and regulatory compliance.

As we move forward to increased recycling and treatment of solid waste to minimize the quantity requiring landfilling, we recognize the efforts of Recycling Coordinator Nancy Fromnick and her assistant Irene Perry. Through education and project diligence, the recycling rate of the County continues to set a standard that is the envy of the rest of Pennsylvania.

Bob Schoenberger
Bob Schoenberger

Letter From The Executive Director



With the slowing economy we have worked hard to keep cost down and not raise disposal rates in 2008, 2009 or 2010. We accomplished this by reducing labor and other costs. We thank our employees for their hard work and staying with us in these lean times.

The one benefit of the slowing economy is less waste

has been produced and the existing permitted landfill will last longer. In 2009, we started filling in the last permitted area at Lanchester (Area D Cell 2) which is projected to be filled in early 2014. We also submitted to the Pennsylvania Department of Environmental Protection (PADEP) an application for a new expansion—Area E. This expansion is designed to add an additional ten years of capacity to Lanchester Landfill.

In 2009, PADEP held a public meeting and public hearing on the Area E Expansion which is proposed for the south side of the property. The Area E Landfill is only adding about fourteen acres of new lined area to the property. The majority of the landfilling will be similar to Area D expansion in that most of the new area is over existing

landfills with the utilization of a reinforced earth wall. The Area E expansion top elevation is lower than that already permitted for Area D.

Pennsylvania is unique in its landfill permitting in that you can not apply for an expansion until you have less than five years of capacity remaining. The other restriction is that PADEP only permits ten years of capacity. With this tight time frame, people have begun to ask—what is next for waste disposal for the Lanchester Service Area? Chester County Solid Waste Authority Board of Directors are looking at long-term options to continuing landfilling at Lanchester. The analysis will include all viable alternatives: transfer, digestion, composting and conversion technologies.

During 2009 we started working with the Wildlife Habitat Council to have the Authority's property certified for their Corporate Lands for LearningSM program. We already host many tours each year for school and other civic groups to learn about landfilling and we know this program will help us enhance what we already have developed. We have started discussions with a local Eagle Scout candidate about a nature trail on a portion of the Authority's property.

Robert A. Watts
Bob Watts

2009 | A Year In Review

Expanded Landfill Gas Collection System

The Chester County Solid Waste Authority authorized the expansion of the landfill gas collection system in 2009. Eighteen new wells were installed in Area D3 as well as additional wells in Area C. The gas collection wells will capture the methane gas generated by decomposing waste and turn it into a usable resource.



Leachate Storage Tanks

The two leachate storage tanks that housed collected leachate from the landfill were replaced. The Authority awarded construction of the new tanks to Eastern Environmental Contractors. The tanks are made of glass fused to steel which is an upgrade of the old tanks and have a capacity of 883,000 gallons each. Construction was completed in May of 2009 at a total project cost of \$1,600,000.

Area D2 Accepts Waste

The new Cell D2, that ties-in the area between the closed Area C and Area B landfill units began accepting waste in May of 2009. The 8.2-acre site was constructed using the latest technology in liner construction consisting of a double liner system. Harnden Group of Mechanicsburg, PA with support from Geosyntec Engineering and ARM GROUP, completed construction. The cost of the project was \$2,700,000 and is projected to reach capacity in 2014.



Area E Application

In August of 2009, the Authority's permit application went through the Pennsylvania's Department of Environmental Protection's (PADEP) required process of having the application available for discussion at a public meeting. The next step in PADEP's process was to have the application reviewed at a public hearing which was held in November of 2009. The Area E Expansion is located on the south side of the property and is projected to begin taking in waste in 2013 and have a ten-year capacity. This will coincide with the time that Area D will be running out of capacity.

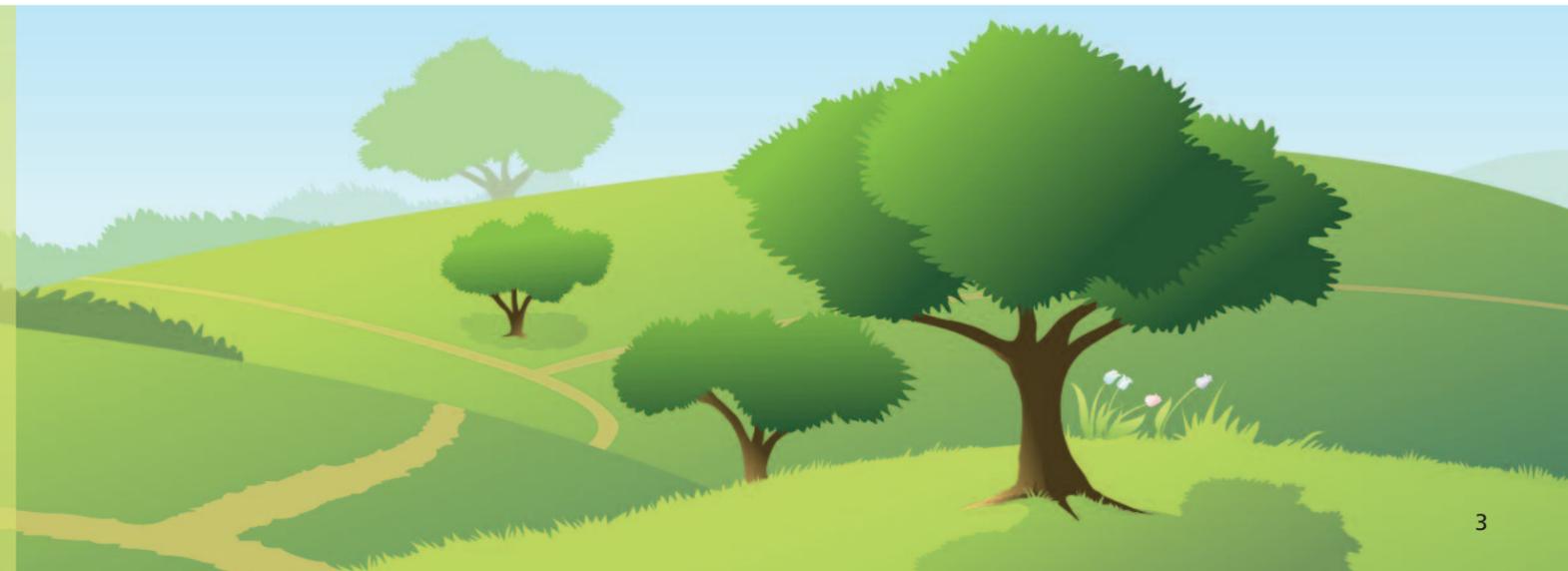


Tipping Fees 2004 to 2009

The amount charged to dispose of one ton of municipal solid waste at the Lanchester Landfill has not increased in three years

Trails

In an ongoing effort to re-introduce the landfill back to the community, the Authority in coordination with an Eagle Scout Project began planning a network of nature trails throughout the facility in 2009. The Eagle Scout Project will help with the planning, construction, and signage along the trails. In 2009, some of the bluebird boxes were installed throughout the facility. The long-term goal is to have miles of trails weaving throughout Lanchester Landfill for the community to enjoy.



2009 | A Year In Review *(continued)*

Additional Leachate Recirculation Capacity

Leachate is water that percolates through the waste and accumulates in the bottom of the landfill. The liquid now gets re-circulated back into the landfill to promote more rapid decomposition and stabilization of Lanchester's waste mass. To better process the leachate that is generated at the landfill, the Authority decided to construct additional leachate re-circulation capacity.



Gas Pipeline Ribbon Cutting

Granger Energy of Lansing, MI Lanchester's landfill gas recovery operator that supplies commercial quality gas to area businesses expanded their supply system. Granger added three new customers with its increased capacity when it added a pipeline to the Conestoga Landfill. The completed project had a ribbon cutting ceremony in May of 2009. All construction and costs associated with the project are the responsibility of Granger.

Process Enhancement of Stored Leachate

In 2009, the Authority commenced with a bench pilot scale test program to determine if adding a disinfectant to the facility's stored leachate would help the current system meet its' capacity. The Authority will start a full-scale program in 2010 due to the success of the test program. Construction was awarded to Shur-Line Construction, Inc. of Newport, DE and will be completed in May of 2010 at a cost of \$71,500.



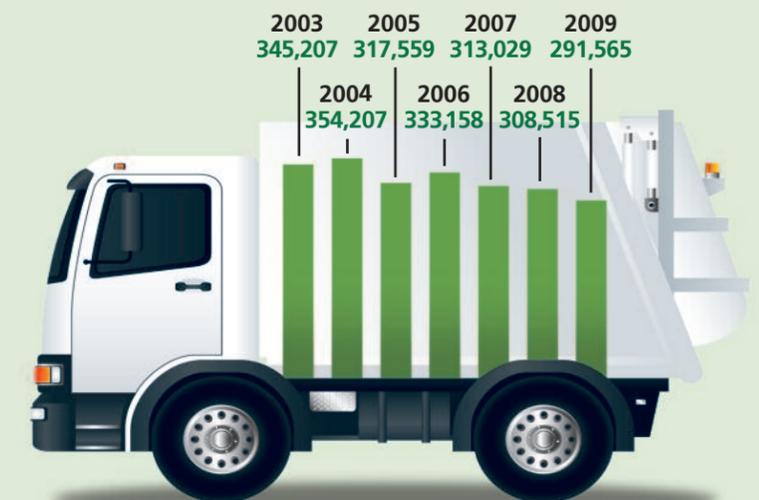
Community Activities

The Authority provides a variety of opportunities for the public to partake in activities and services that Lanchester has to offer. Each year a Fall Open House is held as a way to learn about the operation and management of the landfill. Narrated bus tours of the facility, demonstrations and displays help to educate visitors. In addition, tours are given to groups by appointment. The Authority also holds an electronic recycling and shredding event, household hazard waste disposal, mulch giveaway, and a scenic overlook for anyone to use free May through October. The Authority is pleased to be able to do its' part in supporting such worthy causes and reaching out to the community.



Tonnages — 2003 to 2009

The amount of solid waste disposed of or processed at Lanchester has been relatively stable over the last seven years.



Statement Of Financial Condition

CCSWA 2009 Sources of Revenues

2009 TONNAGE

Municipal Solid Waste—CHESCO	223,273
Residual	24,531
Transfer Trailer	34,046
Construction/Demolition	9,614
Recycling	3,620
TOTAL ANNUAL TONNAGE	295,084

2009 RATE STRUCTURE (\$/TON)

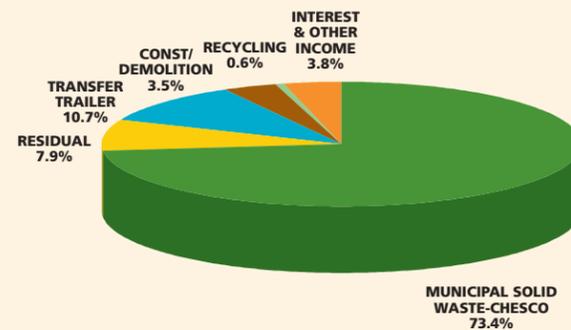
Municipal Solid Waste—CHESCO	\$57.76
Residual	56.83
Transfer Trailer	55.00
Construction/Demolition	63.97
Recycling	29.53

WEIGHTED AVERAGE \$57.22

2009 TIPPING REVENUES

Municipal Solid Waste—CHESCO	\$12,896,525
Residual	1,394,000
Transfer Trailer	1,872,559
Construction/Demolition	614,983
Recycling	106,899
GROSS OPERATING REVENUE	\$16,884,966

2009 Sources of Revenues



2009 OTHER SOURCES OF INCOME

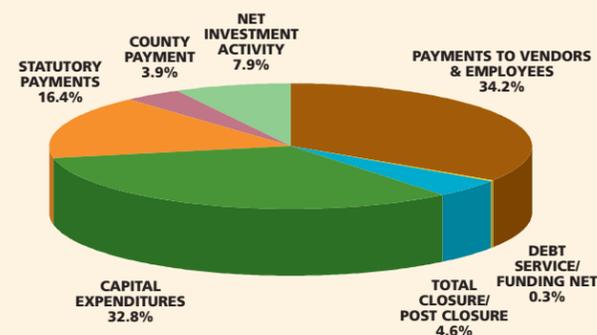
Interest & Other Income	673,878
Working Capital & Other	2,198,844

Total Sources of Funds \$19,757,688

Total Expenditures 19,394,171

NET CASH POSITION AT YEAR END 2009 \$ 363,517

CCSWA 2009 Uses of Revenues



2009 Uses

Payments to Vendors & Employees	\$ 6,631,873
Debt Service/Funding Net	63,285
Total Closure/Post Closure	891,953
Capital Expenditures	6,352,634
Statutory Payments	3,177,206
County Payment	750,000
Net Investment Activity	1,527,220
TOTAL USES	\$19,394,171

Statement Of Financial Condition

Statements of Revenue, Expenses and Changes in Net Assets Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue from landfill operations, net of statutory payments of \$3,177,206 and \$3,317,508 in 2009 and 2008, respectively	<u>\$13,707,761</u>	<u>\$14,071,046</u>
Operating expenses:		
Direct costs of landfill operations	4,749,867	4,509,488
Landfill site expenses	508,533	434,466
General and administrative expenses	1,373,677	1,552,497
Depletion of landfill site:		
Initial investment	1,914	2,138
Expansion cells	1,277,453	1,309,252
Amortization of intangible assets and deferred charges	9,974	11,380
Provision for closure and post closure costs	<u>1,921,070</u>	<u>4,485,307</u>
Total operating expenses	<u>9,842,488</u>	<u>12,304,528</u>
Operating income	<u>3,865,273</u>	<u>1,766,518</u>
Nonoperating revenue (expense):		
Investment income	531,848	926,798
Interest expense	(4,968)	(12,500)
Other income	142,998	106,018
Gain (loss) on disposal of fixed assets	<u>4,000</u>	<u>(98,983)</u>
Total nonoperating revenue	<u>673,878</u>	<u>921,333</u>
Increase in net assets before payment to County of Chester	4,539,151	2,687,851
Payments to County of Chester	<u>(750,000)</u>	<u>(500,000)</u>
Increase in net assets	3,789,151	2,187,851
Net assets:		
Beginning of year	<u>36,253,831</u>	<u>34,065,980</u>
End of year	<u><u>\$40,042,982</u></u>	<u><u>\$36,253,831</u></u>

Summary Of Financials

Balance Sheets

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 363,517	\$ 518,635
Accounts receivable, net of an allowance for uncollectible accounts of \$206,897 in 2009 and 2008	1,169,339	1,214,355
Prepaid expenses	134,545	68,784
Unrestricted investments	12,778,403	10,064,670
Restricted cash and investments	532,858	515,342
Total current assets	<u>14,978,662</u>	<u>12,381,786</u>
Restricted cash and investments	22,545,318	20,993,898
Other assets	2,241,890	1,449,954
Landfill site, net	10,451	12,365
Expansion cells construction, permitting, and preparation costs, net	7,198,159	8,280,319
Capital assets, net	9,308,003	9,349,573
Intangible assets, net	54,457	64,431
	<u>41,358,278</u>	<u>40,150,540</u>
Total assets	<u>\$56,336,940</u>	<u>\$52,532,326</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of estimated closure/post closure costs	\$ 532,858	\$ 515,342
Accounts and retainage payable	465,305	1,393,113
Commonwealth of Pennsylvania and other surcharges withheld	753,253	791,311
Accrued liabilities:		
Payroll and related taxes	15,674	8,916
Employee benefit plan	135,091	132,801
Other	65,889	64,408
Total current liabilities	<u>1,968,070</u>	<u>2,905,891</u>
Estimated closure/post closure costs	14,325,888	13,314,288
Mortgage payable	—	58,316
Total liabilities	<u>16,293,958</u>	<u>16,278,495</u>
Net assets:		
Invested in capital assets	16,516,613	17,912,899
Restricted	8,219,430	7,679,610
Unrestricted	15,306,939	10,661,322
Total net assets	<u>40,042,982</u>	<u>36,253,831</u>
Total liabilities and net assets	<u>\$56,336,940</u>	<u>\$52,532,326</u>

Summary Of Financials

Statements of Cash Flows

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from customers	\$13,726,036	\$14,235,582
Cash paid to vendors	(4,720,572)	(4,139,047)
Cash paid to employees	(1,911,301)	(1,908,094)
Net cash provided by operating activities	<u>7,094,163</u>	<u>8,188,441</u>
Cash flows from noncapital financing activity:		
Payments to County of Chester	(750,000)	(500,000)
Net cash used in noncapital financing activity	<u>(750,000)</u>	<u>(500,000)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(58,316)	(60,648)
Interest payments on long-term debt	(4,969)	(12,499)
Capital expenditures	(6,352,634)	(6,661,367)
Net cash used in capital and related financing activities	<u>(6,415,919)</u>	<u>(6,734,514)</u>
Cash flows from investing activities:		
Purchases of investments	(7,995,122)	(7,443,062)
Sale of investments	5,814,999	6,435,863
Interest received on investments	518,191	873,309
Royalty income	134,712	52,529
Net cash used in investing activities	<u>(1,527,220)</u>	<u>(81,361)</u>
Net increase in cash and cash equivalents	<u>(1,598,976)</u>	<u>872,566</u>
Cash and cash equivalents:		
Beginning of year:		
Cash and cash equivalents	518,635	911,778
Restricted cash	8,613,998	7,348,289
	<u>9,132,633</u>	<u>8,260,067</u>
End of year	<u>\$ 7,533,657</u>	<u>\$ 9,132,633</u>
Cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 363,517	\$ 518,635
Restricted cash	7,170,140	8,613,998
	<u>\$ 7,533,657</u>	<u>\$ 9,132,633</u>
Reconciliation of increase in equity to net cash provided by operating activities:		
Operating income	\$ 3,865,273	\$ 1,766,518
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for closure and postclosure costs	1,921,070	4,485,307
Depletion of landfill site	1,279,367	1,311,390
Depreciation of capital assets	1,886,514	1,934,019
Amortization of intangible assets	9,974	11,380
Change in assets and liabilities:		
Decrease in accounts receivable	45,016	164,446
Decrease (increase) in prepaid expenses	(65,761)	39,625
Increase (decrease) in accounts payable and retainage payable	(927,808)	465,406
Increase (decrease) in accrued liabilities	10,529	14,142
Increase (decrease) in surcharges withheld	(38,058)	6,812
Payments for closure and postclosure costs	(891,953)	(2,010,604)
Total adjustments	<u>3,228,890</u>	<u>6,421,923</u>
Net cash provided by operating activities	<u>\$ 7,094,163</u>	<u>\$ 8,188,441</u>