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@ 10/25/07  
BOD 4/7.

# Connecticut Resources Recovery Authority Reserve Analysis

*REVISED*  
*October 25, 2007*

Each year the Authority's management reviews its restricted and unrestricted reserves. The purpose of this review is to determine if additional funds will be required to be deposited in the upcoming budget process or if certain reserves can be dissolved and/or funds re-designated. The following includes the amendments as discussed at the Finance Committee, which voted to recommend that this amended resolution be submitted to the Board of Directors for approval.

The following are management recommendations based upon this years review and input from the Finance Committee.

- There have been discussions over the last several years regarding the negative undesignated balance at the Bridgeport Project. After further review of the financial statements and discussions with the Authority's auditors, it was determined that a "Board" designated reserve is not required, since the Authority has recorded the postclosure liability on its books as required by GASB18. The elimination of the "Board" designation does not mean these funds are available for other uses, but only that the designation is not required. The liabilities must still be funded and will be reviewed annually in the normal course of the external financial audit. Therefore, management recommends that a separate Short Term Investment Fund (STIF) account be established for each of the existing postclosure reserve accounts and that the funds from these reserve accounts be transferred to their respective STIF accounts to receive and hold the funds. In addition, management then recommends that the existing postclosure Board designated reserves for the Ellington, Hartford, Shelton, Wallingford and Waterbury Landfills be dissolved.
- Similar to the postclosure reserves above, the Authority has also recorded the closure liability on its books for the Hartford and Waterbury landfills. Therefore, management recommends these closure reserves be dissolved and the funds transferred into separate STIF accounts to receive and hold the respective closure funds.
- That a litigation reserve be established for the global bank litigation expenses and that this reserve be funded from the existing Enron related settlements.
- That a litigation reserve be established for the potential postjudgment interest rate damages relating to the New Hartford matter and that this reserve be funded from the existing Enron related settlements.
- Establish a restricted cash reserve to retain the Mid-Connecticut Project surplus funds, if any, from a previous fiscal year to be applied to the next subsequent year budget assumptions, as required by the Municipal Solid Waste Management Service Contract.

- Re-designate the funds from the Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container), since the contract expired, into the Hartford Landfill Postclosure STIF account.

Copies of the Individual Reserve Summaries are attached for your review.

## **RESOLUTION REGARDING CERTAIN PROJECT RESERVES**

**WHEREAS**, the Authority has recorded the postclosure liabilities on its financial statements as required by GASB18 for the Ellington, Hartford, Shelton, Wallingford and Waterbury landfills, negating the need for the "Board" designation; and

**WHEREAS**, the Authority has recorded the closure liabilities on its financial statements as required by GASB18 for the Hartford and Waterbury landfills negating, the need for the "Board" designation; and

**WHEREAS**, the Authority has recovered funds from the global litigation matters, which can be reserved to provide for a circumstance in which the Authority shall be required to pay additional amounts for associated legal expenses for which other funds may not be available; and

**WHEREAS**, the Authority has recovered funds from the global litigation matters, which can be reserved to provide for a circumstance in which the Authority shall be required by a final, non-appealable order of a court of competent jurisdiction to pay additional amounts as interest on the New Hartford judgment; and

**WHEREAS**, a restricted reserve is necessary to retain the prior year surplus, if any, for the Mid-Connecticut Project, which will be used in the next succeeding budget cycle as required by the Mid-Connecticut Project Municipal Solid Waste Services Contracts; and

**WHEREAS**: the Authority has performed an analysis of its Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container) reserve and has determined additional changes are necessary at this time; now therefore be it

**RESOLVED**: That individual Short Term Investment Fund (STIF) accounts be established for postclosure funds related to the Ellington, Hartford, Shelton, Wallingford and Waterbury landfills; and

**FURTHER RESOLVED**: That the funds from the existing Ellington, Hartford, Shelton, Wallingford and Waterbury landfill Board designated postclosure reserves be transferred into their respective STIF accounts; and

**FURTHER RESOLVED**: That the Ellington, Hartford, Shelton, Wallingford and Waterbury landfill Board designated postclosure reserves be dissolved; and

**FURTHER RESOLVED**: That individual Short Term Investment Fund (STIF) accounts be established for closure funds related to the Hartford and Waterbury landfills; and

**FURTHER RESOLVED**: That the funds from the existing Hartford and Waterbury landfill Board designated closure reserves be transferred into their respective STIF accounts; and

**FURTHER RESOLVED**: That the Hartford and Waterbury landfill Board designated postclosure reserves be dissolved; and

**FURTHER RESOLVED**: That there is hereby created a Litigation Reserve – Global case and that \$800,000 from the existing global bank settlements be transferred into this

reserve for the circumstance the Authority shall be required pay additional legal expenses for which other funds may not be available; and

**FURTHER RESOLVED:** That there is hereby created a Litigation Reserve – New Hartford case and that balance of the existing global bank settlements be transferred into this reserve for a circumstance in which the Authority shall be required by a final, non-appealable order of a court of competent jurisdiction to pay additional amounts as interest for which other funds may not be available; and

**FURTHER RESOLVED:** That all of the funds from the Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container) (account balance as of June 30, 2007 was \$452,279) be deposited into the Hartford Landfill Postclosure STIF account.

# Connecticut Resources Recovery Authority Reserves

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## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** MERCURY PUBLIC AWARENESS.

**Designation:** Restricted

**Project:** General

**Purpose:** To develop and implement a public education or media campaign designed to: 1) improve consumer awareness of mercury-containing products and the risks posed by mercury-containing products and to encourage consumers to choose alternatives, where feasible; 2) improve consumer awareness of recycling opportunities for mercury batteries, fluorescent bulbs and other mercury containing products; and 3) eliminate sources of mercury in municipal solid waste bound for combustion in waste incinerators.

**Fund Basis:** Established by DEP Consent Order SW-400.

**Fund Source:** Being reviewed.

**Fund Amount as Of June 30, 2007:** \$21,339

**Term:** When the fund balance is zero.

### **Supporting Documentation:**

The following is language from the DEP Consent order dated February 19, 1998.

...**Supplemental Environmental Projects.** Respondent shall undertake the following supplemental environmental project: Within thirty (30) days from the date of issuance of this consent order, Respondent shall establish and fund in the amount of three hundred fifty thousand dollars (\$350,000) an account to be known as the "mercury public awareness account"....

### **Recommendation:**

Continue to maintain the reserve as required and use where applicable.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** BENEFIT FUND

**Designation:** Board Designated

**Project:** General

**Purpose:** To provide funding for various means of controlling the costs of health insurance premiums, including, but not limited to, funding of rate increases, and funding of premium payments.

**Fund Basis:** Basis to be reviewed annually.

**Fund Source:** Transferred previous balance from the Health Fund plus deposited \$180,746 in March 2004 from the Anthem stock proceeds.

**Fund Amount as Of June 30, 2007:** \$217,110

### **Supporting Documentation:**

Approved by the Board on April 20, 1995. The following are the minutes from the April 1995 Board meeting:

Director Phillips said enclosed in the Board's package is a report that CRRA is receiving a reserve fund from Blue Cross and Blue Shield amounting to \$179,000. He said the Finance Committee approved a resolution which is attached to the package establishing a health fund which would be used primarily as a wellness program for employees. He said the Personnel Committee reviewed this matter this morning.

The motion was made by Director Phillips to approve the resolution establishing a health fund attached to the minutes as Exhibit A. Vice Chairman Belden seconded the motion and it was unanimously voted.

Director Berliner asked if the \$179,000 is meant to be strictly for wellness. Director Phillips said only \$20,000. Director Berliner asked if you could use this to underwrite any yearly increases with Blue Cross Blue Shield. Director Phillips said it could be. Director Berliner said it should not be "could be" but it "should be" since CRRA is not self-insured so to set this money aside in order to do that we need to underwrite future year increases as they come. Chairman Fay said staff wants to report the money in this reserve and will come back later to the Board with the disposition of the money and recommendation on how it should be spent. Director Berliner said that it is nice that CRRA had good years but we all know there are great variations and there will be some bad years. Chairman Fay said absolutely. Mr. Guidone said that is the primary purpose for creating the fund, to put those dollars aside, and to commit some to a wellness program, but the main purpose would be to avoid future spikes or address future spike issues.

The Health Fund was renamed the Benefit Fund by the Board of Directors in October 2003.

### **Recommendation:**

Continue to maintain reserve and review annually.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE RESERVE FUND

**Designation:** Restricted - Trustee

**Project:** Bridgeport

**Purpose:** To secure debt service payments for bondholders.

**Fund Basis:** 10% of original par value plus interest earnings on the Collection & Paying Agency Account.

**Fund Source:** 2000 Series Bonds and interest earnings from the Collection & Paying Agency Account.

**Fund Amount as of June 30, 2007:** \$950,420

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Section 5.1 of the Fourth Supplement Indenture of Mortgage and Trust dated June 1, 1999 states that the Authority shall establish and create certain funds and accounts including the Debt Service Reserve Fund.

### **Recommendation:**

The Authority will commence to draw upon in fiscal year 2008 in accordance with Section 3.3A of the Supplement Bond Indenture, which instructs that amounts in the Debt Service Reserve Fund can be applied toward the final year of debt service.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE FUND

**Designation:** Restricted - Trustee

**Project:** Bridgeport

**Purpose:** To pay debt service (principal and interest) to the bondholders.

**Fund Basis:** One-sixth of the next ensuing interest payment due and one-twelfth of the next ensuing principal payment due.

**Fund Source:** Monthly transfers from the Collection & Paying Agency Account.

**Fund Amount as of June 30, 2007:** \$664,500

**Term:** Either when funds are drawn from the Debt Service Reserve fund to pay debt service in the final year of the bond or upon final payment of bonds.

### **Supporting Documentation:**

Section 5.1 of the Fourth Supplement Indenture of Mortgage and Trust dated June 1, 1999 states that the Authority shall establish and create certain funds and accounts including the Debt Service Fund.

### **Recommendation:**

Funding source will change from the Collection & Paying Agency Account to the Debt Service Reserve Fund in the final bond year.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** REBATE ACCOUNT

**Designation:** Restricted - Trustee

**Project:** Bridgeport

**Purpose:** To pay Internal Revenue Service in the event any funds related to the bonds earn more than the arbitrage yield.

**Fund Basis:** As required by Indenture.

**Fund Source:** Interest earnings in Debt Service Reserve Fund that would result in positive arbitrage.

**Fund Amount as of June 30, 2007:** \$3,832

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 3.1 of the Supplement Indenture of Trust dated August 1, 2000.

**Recommendation:**

Continue to have outside arbitrage consultant review on an annual cycle. Upon final bond payment the account will be closed.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** COLLECTION & PAYING AGENCY ACCOUNT

**Designation:** Restricted - Trustee

**Project:** Bridgeport

**Purpose:** To accept all payments related to the Bridgeport project.

**Fund Basis:** None

**Fund Source:** Tip fees, recycling revenues and other miscellaneous fees.

**Fund Amount as of June 30, 2007:** \$2,629

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Section 4 of the Collection and Paying Agency Agreement between the Authority and Bridgeport Resco (Wheelabrator Bridgeport) dated June 1, 1987.

### **Recommendation:**

Continue to utilize account until final bond payment and/or receivables have been collected.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** CUSTOMER GUARANTEE OF PAYMENT

**Designation:** Restricted

**Project:** Bridgeport

**Purpose:** To deposit the cash guaranty of payments ("GOP") received by the Authority by some of its customers.

**Fund Basis:** Varies by customer based upon their delivery trends.

**Fund Source:** Authority customers

**Fund Amount as of June 30, 2007:** \$16,056

**Term:** Various

**Supporting Documentation:**

Permitting, Disposal and Billing Procedures all for cash GOP's.

**Recommendation:**

Continue to maintain the account as long as customers have cash GOP's.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** WATERBURY LANDFILL TRUST

**Designation:** Restricted - Trustee

**Project:** Bridgeport

**Purpose:** To provide a performance bond or surety to guarantee closure of the landfill as required by the solid waste permit.

**Fund Basis:** Estimated cost for closure.

**Fund Source:** No supporting records found.

**Fund Amount as Of June 30, 2007:** \$166,428

**Term:** Upon closure of the landfill or approval from DEP that another funding source could be utilized.

### **Supporting Documentation:**

The following is language from the regulations.

“...an owner or operator of a facility with a hazardous waste disposal unit must establish financial assurance for post-closure care of the disposal unit...”

### **Recommendation:**

Since the project has already funded a closure reserve for the Waterbury landfill management will approach DEP to determine if this reserve can be eliminated.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** SHELTON LANDFILL FUTURE USE

**Designation:** Restricted

**Project:** Bridgeport / CRRA

**Purpose:** To set aside funds to pay for expenditures associated with the two DEP Consent Orders including costs relating to future use options of the landfill.

**Fund Basis:** Amount based upon a DEP Consent Orders (\$330k) plus a preliminary estimate of the cost to implement the future use options at the landfill (\$530k) as required by the permit.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$824,310

**Term:** Upon completion of the work.

### **Supporting Documentation:**

The following is the resolution approved by the Board January 16, 2003 and the January 2003 minutes:

WHEREAS: CRRA desires to create a divisible reserve account within the Bridgeport Project for the Shelton Landfill for future use expenditures of the Shelton Landfill ("Shelton Landfill Future Use Reserve");

WHEREAS: CRRA desires to fund the Shelton Landfill Future Use Reserve with \$630,000 from the Fiscal Year 2003 Operating Budget of the Bridgeport Project;

RESOLVED: That the CRRA Finance Department is authorized to create a Shelton Landfill Future Use Reserve and fund it with \$630,000.00 from the FY03 Operating Budget of the Bridgeport Project.

Chairman Pace requested a motion on the reference topic. Director O'Brien made the following motion:

WHEREAS: CRRA desires to create a divisible reserve account within the Bridgeport Project for the Shelton Landfill for future use expenditures of the Shelton Landfill ("Shelton Landfill Future Use Reserve");

WHEREAS: CRRA desires to fund the Shelton Landfill Future Use Reserve with \$630,000 from the Fiscal Year 2003 Operating Budget of the Bridgeport Project;

RESOLVED: That the CRRA Finance Department is authorized to create a Shelton Landfill Future Use Reserve and fund it with \$630,000.00 from the FY03 Operating Budget of the Bridgeport Project.

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** WATERBURY POSTCLOSURE

**Designation:** Board Designated

**Project:** Bridgeport

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to monitor and maintain the landfill is \$1,481,800, which includes estimated costs for insurance premiums and administrative costs. These estimates do not include any funds for future changes in law.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amount as of June 30, 2007:** \$711,909

**Term:** Thirty years after the landfill is certified closed. Circa 2038.

### **Supporting Documentation:**

The Board approved the following resolution at their April 2005 meeting.

...“ **RESOLVED:** That a reserve be established to cover postclosure costs for the Waterbury Landfill for the Bridgeport Project.”

### **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** SHELTON LANDFILL POSTCLOSURE

**Designation:** Board Designated

**Project:** Bridgeport

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill.

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to monitor and maintain the landfill is \$13,322,000, which includes estimated costs for insurance premiums and administrative costs. These estimates do not include any funds for future changes in law.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$6,902,547

**Term:** Thirty years after the landfill is certified closed. Ash area certified close April 2001 and MSW area certified closed October 1997. Postclosure ends in fiscal year 2030.

### **Supporting Documentation:**

The Board minutes suggest that the Board approved the creation of the Shelton Landfill reserve. The Board approved a resolution on June 17, 1999 to transfer \$2,734,000 from prior year surpluses to the post-closure reserve. In addition, the Board through adoption of the annual budget has been authorizing annual contributions into this reserve.

### **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** WATERBURY CLOSURE

**Designation:** Board Designated

**Project:** Bridgeport

**Purpose:** To pay for anticipated expenditures associated with the closure of the landfill.

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to close the landfill is \$497,500.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$532,751

**Term:** Upon DEP certification of the closure work. Circa 2009.

### **Supporting Documentation:**

The minutes indicate that this reserve was first established in July 1991. The Board has been approving contributions to this reserve as part of the annual budget process. The Board adopted the following resolution at their October 2003 meeting.

“...**FURTHER RESOLVED:** That the Waterbury Landfill Closure/Postclosure Reserve be renamed the Waterbury Closure Reserve.”

### **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RECYCLING CAPITAL

**Designation:** Board Designated

**Project:** Bridgeport Project per the request of the Southwestern Connecticut Regional Recycling Operating Committee ("SWEROC")

**Purpose:** To cover potential futures costs associated with the replacement or repair of capital equipment and/or buildings for the Stratford intermediate processing center.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** This reserve is to be funded from the settlements reached with the Town of East Haven (net lump sum payment of \$14,634) and City of Stamford (net payment of \$122,000 paid equally over a thirty-six month period) relating to their non-delivery of recyclables. Initial funding will commence in fiscal year 2006.

**Fund Amount as of June 30, 2007:** \$171,732

**Term:** The reserve will be maintained until all capital projects have been completed or it is no longer required.

### **Supporting Documentation:**

The Board approved the following resolution at their October 2005 meeting.

**"FURTHER RESOLVED:** that a Recycling Reserve be created for the Bridgeport Project to cover capital repairs and/or replacements costs for the Stratford intermediate processing center and that the initial funding of this reserve come from the settlement funds to be received from the Town of East Haven and City of Stamford."

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE RESERVE FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To provide debt service payment security to 1996 Series bondholders.

**Fund Basis:** Maximum Annual Debt Service amount in any calendar year, adjusted annually by the Trustee.

**Fund Source:** 1985 Series Bonds (the amounts in the current DSRF were originally funded by the 1985 Series Bonds. The 1996 Series Bonds refunded the 1985 Series Bonds.)

**Fund Amount as of June 30, 2007:** \$4,477,481

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985.

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include a Special Capital Reserve Fund, which is the same as the Debt Service Reserve Fund.

“Section 5.10 *Special Capital Reserve Fund* (A) Upon the delivery of any Bonds, the Authority shall pay to the Trustee from the proceeds of such Bonds or otherwise, the sum of money, if any, necessary to increase the amount in the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement.”

### **Recommendation:**

Continue to maintain as required by the indenture.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To provide debt service (principal and interest) payments to 1996 Series bondholders.

**Fund Basis:** One-sixth of the next ensuing interest payment due and one-twelfth of the next ensuing principal payment due.

**Fund Source:** Monthly transfers from the Mid-Connecticut Revenue Fund.

**Fund Amount as of June 30, 2007:** \$141,326

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985.

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include a Debt Service Fund.

The Debt Service Fund is sub-divided into two Accounts: the Interest Account and the Principal Installment Account

“Section 5.9 *Debt Service Fund*. (A) The Trustee shall pay out of the Interest Account of the Debt Service Fund to the respective Paying Agents for any of the Bonds (i) on the day preceding each Interest Payment Date, the amount required for the payment of interest on the Bonds due on such Interest Payment Date and (ii) on the day preceding the redemption date, the amount required for the payment of accrued interest on Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Payment Agents to such payment. The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

“(B) The Trustee shall pay out of the Principal Installment Account to the respective Payment Agents, on the day preceding each Principal Installment Date for any of the Bonds, the amounts required for the payment of principal due on such Principal Installment Date and such amounts shall be applied by the Paying Agents to such payments.”

### **Recommendation:**

Continue to utilize the account until final payment of bonds.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** REVENUE FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To receive all revenues associated with the Mid-Connecticut Project and to make disbursements, to the funds and accounts established under the Mid-Connecticut Bond Resolution.

**Fund Basis:** None

**Fund Source:** Tip fees, energy revenues and other miscellaneous income.

**Fund Amount as of June 30, 2007:** \$9,772,228

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985:

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include a Revenue Fund.

“Section 5.4 *Revenue Fund*. All Revenues received shall, upon receipt, be deposited with the Trustee unless required more frequently and credited to the Revenue Fund. Prior to the Commercial Operation Date at least monthly and thereafter unless required more frequently as soon as practicable after the end of each Billing Period and in any case no later than forty-five (45) days after the end of such Billing Period, the Trustee shall withdraw from the Revenue Fund and transfer to the Person, Funds and Accounts as set forth”...in the Section and in the priority as indicated in the Section.

### **Recommendation:**

Continue to review during annual reserve analysis cycle.

# Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** STATE LOANS

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** Irrevocable escrow account created to provide payment for the outstanding State Loan Borrowings.

**Fund Basis:** Funded at outstanding principal balance of the State Loans as of March 2005 plus the net present value of 25 basis points of calculated amount of interest earnings on the remaining balance of the State Loans through 2012.

**Fund Source:** Funded in 2005 with a transfer from the Mid-Connecticut General Fund, which received the proceeds of the sale of the Enron claims.

**Fund Amount as of June 30, 2007:** \$13,311,690

**Term:** Terminates when loans paid in full.

## **Supporting Documentation:**

The Board created this fund at the February 2005 meeting.

**“NOW, THEREFORE, BE IT RESOLVED** by the Board of the Connecticut Resources Recovery Authority:

**Section 1.** That not more than \$20,000,000 of the proceeds from the Enron Settlement shall be deposited in an irrevocable escrow or similar fund or account designated for the repayment of the Loans and that the interest earned on such fund or account shall be held for the repayment of the Loans until the Loans are paid in full.

**Section 2.** That the Chairman of the Board, the President and the Chief Financial Officer of the Authority (the “Officials”) are authorized and directed to execute and deliver any agreements or letters necessary to provide for the payment when due of the current installments of principal and interest on the Loans, including, but not limited to, agreements with the Trustee establishing the necessary funds and/or accounts in order to repay the 2003 Loan and the 2004 Loan, respectively.

**Section 3.** That the Officials are authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such Officials shall be conclusive as to the approval by the Authority of the terms thereof.

**Section 4.** This resolution shall take effect immediately.”

## **Recommendation:**

Continue to review during annual reserve analysis cycle.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** GENERAL FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To hold any funds not needed in another fund or account established by the Mid-Connecticut Bond Resolution.

**Fund Basis:** None

**Fund Source:** Initial funding came from the proceeds from the sale of the Enron claims. Current balance includes amounts not utilized in July 2006 bond defeasance.

**Fund Amount as of June 30, 2007:** \$699,052

**Term:** Anytime

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985.

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include a General Fund.

“Section 5.13 *General Fund*. So long as (i) there shall not be any deficiency in any other Fund or Account under this Resolution, (ii) there shall not exist an Event of Default, and (iii) the amount in the General Fund is not otherwise required to be retained by the Authority for use with respect to the Mid-Connecticut System, any balance in the General Fund shall, upon direction of an Authorized Officer of the Authority, be paid to the State in amounts sufficient to repay the State for amounts theretofore paid by the State into the Special Capital Reserve Fund, and any remaining balance may, upon direction of an Authorized Officer of the Authority, be transferred to any other Fund established hereunder or to the Redemption Fund for the purchase or redemption of Bonds.”

### **Recommendation:**

Funds needed to replenish the fiscal year 2007 surplus funds used during the July 2007 defeasance.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RENEWAL & REPLACEMENT FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To provide funds for improvements, constructions, reconstructions, major repairs, renewals, replacements or maintenance items not recurring annually or at shorter intervals and for costs of equipment.

**Fund Basis:** Minimum funding requirement is \$1,500,000 as defined in the Mid-Connecticut Bond Resolution.

**Fund Source:** Series 1985 Bonds

**Fund Amount as of June 30, 2007:** \$1,662,061

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985.

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include a Renewal and Replacement Fund.

*“Renewal and Replacement Fund Requirement”* means \$1,500,000 or such greater amount as the Consulting Engineer shall determine is required on an annual basis.

*“Section 5.7 Renewal and Replacement Fund. (1) The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority for, and apply the same to, the reasonable and necessary expenses of the Authority with respect tot the Mid-Connecticut System, for improvement, constructions, reconstructions, major repairs, renewals, replacement or maintenance items of a type not recurring annually or at shorter intervals and for costs of equipment.”*

*“(2) If on any date all withdrawals or payment from the Renewal and Replacement Fund required by any other provision of this Resolution with respect to the same and every prior date shall have sooner been made and the amount in the Renewal and Replacement Fund exceeds the Renewal and Replacement Fund Requirement, the Trustee shall withdraw from the Renewal and Replacement Fund the amount of such excess and pay the moneys as withdrawn into the Revenue Fund as Revenues.”*

### **Recommendation:**

Funds needed to replenish the fiscal year 2007 surplus funds used during the July 2007 defeasance.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** OPERATING & MAINTENANCE FUND

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To provide amounts required for operating expenses to the extent the Mid-Connecticut Operating Fund does not have sufficient funds.

**Fund Basis:** Minimum funding requirement is \$1,500,000 as defined in the Mid-Connecticut Bond Resolution.

**Fund Source:** Series 1985 Bonds.

**Fund Amount as of June 30, 2007:** \$1,662,063

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

Language from the Mid-Connecticut Bond Resolution adopted March 13, 1985.

Section 5.2 of the Bond Resolution states that the Authority shall establish and create certain funds and accounts which include an Operation and Maintenance Fund.

*“Operation and Maintenance Fund Requirement”* means \$1,500,000 or such greater amount as the Authority and the Consulting Engineer shall agree is prudent to maintain as a reserve for the operation of the Mid-Connecticut System.

*“Section 5.6 Operation and Maintenance Fund. (1) The Trustee shall withdraw from the Operation and Maintenance Fund and deposit in the Operating Fund amounts required for Operating Expense to the extent that the Operating Fund is insufficient for such purpose at that time and will not be available from funds in the Revenue Fund at the end of the next Billing Period.*

*“(2) If on any date all withdrawals or payment from the Operation and Maintenance Fund required by any other provision of this Resolution with respect to the same and every prior date shall have sooner been made and the amount in the Operation and Maintenance Fund exceeds the Operation and Maintenance Fund Requirement, the Trustee shall withdraw from the Operation and Maintenance Fund the amount of such excess and pay the moneys as withdrawn into the Revenue Fund as Revenues.”*

### **Recommendation:**

Funds needed to replenish the fiscal year 2007 surplus funds used during the July 2007 defeasance.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** CUSTOMER GUARANTEE OF PAYMENT

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To deposit the cash guaranty of payments ("GOP") received by the Authority by some of its customers.

**Fund Basis:** Varies by customer based upon their delivery trends.

**Fund Source:** Authority customers

**Fund Amount as of June 30, 2007:** \$246,862

**Term:** Various

**Supporting Documentation:**

Permitting, Disposal and Billing Procedures all for cash GOP's.

**Recommendation:**

Continue to maintain the reserve as long as customers have cash GOP's.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** SELECT ENERGY ESCROW

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To be in compliance with the Jets power purchase and sales agreement and escrow agreement between CRRA and Select Energy.

**Fund Basis:** Amount established pursuant to the escrow agreement.

**Fund Source:** Funding came from the transfer of funds from the Power Block Facility Maintenance Fund (\$500k), the Transfer Station Maintenance Fund (\$466k) and the operating account (\$34k).

**Fund Amount as Of June 30, 2007:** \$1,000,000

**Term:** Until expiration of the power purchase and sales agreement with Select Energy.

### **Supporting Documentation:**

The Board approved the following resolution at their June 2003 meeting.

“...Whereas: it is a precondition to the execution of an Energy Purchase Agreement (the “EPA”) between Connecticut Resources Recovery Authority (“CRRA”) and Select Energy, Inc., that an escrow fund in the amount of ONE MILLION DOLLARS (\$1,000,000.00; the “Escrow Fund”) be established; and ...”

### **Recommendation:**

Continue to maintain the reserve as required by contract.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** JETS / ENERGY GENERATING FACILITY

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To cover the future Energy Generating Facility (EGF) operating costs.

**Fund Basis:** The initial reserve estimate projected anticipated electricity revenues from the Jets less operating and maintenance costs of the Jets and Energy Generating Facility (EGF) to determine what level of reserves was required to cover future costs of the EGF through the term of the existing project.

**Fund Source:** Initial funding of \$20M was received as part of the CL&P and Enron Power Marketing, Inc agreement.

**Fund Amount as Of June 30, 2007:** \$12,012,000

**Term:** Upon final payment of bonds.

### **Supporting Documentation:**

In addition to the letter to State Street Bank and Trust dated December 28, 2000, the Board minutes and resolutions from the November and December 2000 Board meetings imply that the intent of the prior Board was to set aside these funds to cover future costs of the EGF. Furthermore, although there is no specific resolution in regards to this reserve, it is management's opinion that this reserve was set-aside for the specific purpose stated above to satisfy the Trustee. On July 5, 2006 the Authority received an analysis from R.W. Beck that states the \$20 million was no longer necessary to be maintained in this account, but rather only \$10,888,000.

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** REGIONAL RECYCLING CENTER EQUIPMENT REPLACEMENT (CONTAINER)

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To reserve funds necessary for possible capital repair or replacement.

**Fund Basis:** Contract states that CRRA shall contribute \$50,880 on an annual basis to this reserve. Information as to how the total fund balance was determined could not be found.

**Fund Source:** Past funding has come from the operating budget and an additional \$40,600 will be deposited into the reserve in fiscal year 2007.

**Fund Amount as Of June 30, 2007:** \$452,279

**Term:** Upon contract termination.

### **Supporting Documentation:**

Fund required under an existing agreement with FCR Redemption Inc. dated February 22, 1997. Contract extended through May 21, 2004 (with a one-year extension). The Board approved the contract and amendment on February 20, 1997 and March 20, 2003, respectively. The following is Section 3.11 of the agreement:

#### Section 3.11 Capital Repair and Replacement Fund

- A. CRRA shall maintain an account for the purpose of reserving the funds necessary for possible capital repair or replacement. Deposits into this account shall be made annually by CRRA in the amount of Fifty Thousand Eight Hundred Eight Dollars (\$50,880.00).
- B. During any term of this Agreement, the Company shall be entitled to draw upon such account in accordance with generally accepted accounting principles upon ten (10) calendar days prior written request to CRRA of such withdrawal and CRRA's written consent of the same, which consent shall not be unreasonably withheld. Such written request shall include the following, at a minimum: items to be replaced and repaired, the cause of equipment failure, cost of replacement or repair, including Cost Substantiation, the new useful life of the replaced or repaired item, CRRA shall be entitled to draw upon such account upon ten (10) calendar days written notice to the Company to make reasonable expenditures for the renewal, repair or replacement of any and all stationary or immobile equipment purchased and installed at the Facility. For purposes of this Section, a capital repair or replacement shall be deemed to be a repair or replacement, either singularly or in the aggregate associated with the same piece of equipment an greater than Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00) in value, to a capital asset which either extends or enhances the useful life of the asset in accordance with generally accepted accounting principles. Upon termination or expiration of this Agreement, all funds remaining in the account shall revert to CRRA.

### **Recommendation:**

Transfer funds into Hartford Landfill Postclosure Reserve, since contract has terminated.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RECYCLING EDUCATION

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To reimburse the City of Hartford for expenses incurred solely for its recycling education program.

**Fund Basis:** Per the host community agreement the Authority shall contribute \$50,000 annually in addition to the \$100,000 annually per the PILOT agreement.

**Fund Source:** Past funding has come from the operating budget.

**Fund Amount as Of June 30, 2007:** \$542,049

**Term:** The requirement to fund this reserve will terminate upon the final maturity of all bonds and satisfaction of all obligations with respect thereto, which term shall be consistent with the provisions as to expiration contained in the Municipal Solid Waste Management Service Contract by and between the CRRA and the City, dated June 30, 1982, or any amendment thereto.

### **Supporting Documentation:**

The following language is from the Agreement for Payments In Lieu Of Taxes and the Host Community Agreement between CRRA and the City of Hartford, respectively.

Commencing July 1, 1990 and for each year that the Authority owns and operates the Recycling Center the Authority hereby agrees to maintain an account and provide funding for the same in an amount not to exceed One Hundred Thousand (\$100,000.00) Dollars per year, which funds may be used by the City solely for the benefit of its recycling education program. Any funds remaining in the account at the end of each fiscal year shall be rolled over and added to the One Hundred Thousand (\$100,000.00) Dollars that the Authority is required to provide for the next succeeding year.

“CRRA will make a recycling payment of \$150,000 per year (\$50,000 of which is in addition to the current annual payment into such fund of \$100,000) into the Recycling Account...”

### **Recommendation:**

Continue to maintain reserve as required by contract.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** TOWN OF ELLINGTON TRANSFER STATION TRUST

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To be in compliance with the Certificate of Special Permit granted by the Ellington Planning and Zoning Commission.

**Fund Basis:** Established pursuant to the Certificate of Special Permit.

**Fund Source:** No supporting documents found.

**Fund Amount as Of June 30, 2007:** \$45,767

**Term:** Upon termination of the permit.

### **Supporting Documentation:**

The following is language from the Certificate of Special Permit.

...Connecticut Resource Recovery Authority shall maintain a minimum balance of \$10,000 in a passbook account to be held by the Town of Ellington. This account shall be drawn upon to off set the expense of solid waste litter pickup in the event that the landfill operator fails to meet acceptable standards..."

### **Recommendation:**

Management intends to contact the town to determine if this account is still required.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** ELLINGTON LANDFILL TRUST

**Designation:** Restricted - Trustee

**Project:** Mid-Connecticut

**Purpose:** To maintain financial assurance for postclosure care, thirty years of monitoring and maintenance, as required by 40 CFR 265.145 and Section 22a-449 (c) -30 CT HWMR.

**Fund Basis:** Estimated amount of postclosure costs for monitoring and maintenance.

**Fund Source:** No supporting documents found.

**Fund Amount as Of June 30, 2007:** \$468,144

**Term:** After thirty years of postclosure or until DEP and the Town agree that the postclosure account for the Ellington landfill can be used in replace of this trust.

### **Supporting Documentation:**

The following is language from the regulations.

“...an owner or operator of a facility with a hazardous waste disposal unit must establish financial assurance for post-closure care of the disposal unit...”

### **Recommendation:**

Since the project has already funding a postclosure reserve for the Ellington landfill management will approach DEP and the Town to determine if this reserve can be eliminated.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** PRIOR YEAR SURPLUS

**Designation:** Restricted

**Project:** Mid-Connecticut

**Purpose:** To hold surplus (annual aggregate service payments that were greater than the net cost of operations) funds, if any, from the previous year to be applied to the subsequent year's budget assumptions.

**Fund Basis:** Prior fiscal year ending surplus balance.

**Fund Source:** Mid-Connecticut Revenue Fund (held at Trustee). Revenue Fund to provide \$5,547,290 of the fund amount. \$4,000,000 was withdrawn from the Revenue Fund in the July 2006 and applied to the bond defeasance. This amount will be replenished with funds from the following accounts: Operating & Maintenance Fund, Renewal & Replacement Fund and General Fund, which total \$4,023,176 as of 6/30/07. These funds will become available when all the bonds are redeemed or mature.

**Fund Amount as of June 30, 2007:** \$9,570,466 (equals fiscal year 2007 surplus - see fund source above)

**Term:** Upon expiration of the bonds.

### Supporting Documentation:

The following is language from the Article IV Section 401 of the Municipal Solid Waste Services Contract.

"Service Payments as so determined shall remain in effect for each Contract Year; provided, however, that if the annual Aggregate Service Payments are less than or greater than the Net Cost of Operation for such Contract Year, then the Authority shall determine such difference and include such difference in the Annual Budget For the next succeeding Contract Year."

### Recommendation:

To be reviewed during annual reserve analysis cycle.

**Connecticut Resources Recovery Authority**

October 25, 2007

**Reserve:** LITIGATION - GLOBAL CASE

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To provide costs of paying expert witnesses and other legal fees relating to the Global lawsuits.

**Fund Basis:** Based upon estimated costs from legal counsel (estimated at \$800,000).

**Fund Source:** Enron-related litigation settlements.

**Fund Amount as of June 30, 2007:** \$0.00

**Term:** Upon resolution of pending litigation.

**Supporting Documentation:**

Proposed Board resolution to be adopted October 25, 2007.

**Recommendation:**

To be reviewed during annual reserve analysis cycle.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** LITIGATION - NEW HARTFORD

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To provide for potential <sup>pre</sup>judgment interest rate (10% under Connecticut State Statute) in the New Hartford case.

**Fund Basis:** Estimated amount due between the postjudgment rate and actual interest rate earned.

**Fund Source:** Enron-related litigation settlements.

**Fund Amount as of June 30, 2007:** \$0.00

**Term:** Upon resolution of pending litigation.

### Supporting Documentation:

Proposed Board resolution to be adopted October 25, 2007.

### Recommendation:

To be reviewed during annual reserve analysis cycle.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** LITIGATION - NEW HARTFORD

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To provide for potential postjudgment interest rate (10% under Connecticut State Statute) in the New Hartford case.

**Fund Basis:** Estimated amount due between the postjudgment rate and actual interest rate earned.

**Fund Source:** Enron-related litigation settlements.

**Fund Amount as of June 30, 2007:** \$0.00

**Term:** Upon resolution of pending litigation.

**Supporting Documentation:**

Proposed Board resolution to be adopted October 25, 2007.

**Recommendation:**

To be reviewed during annual reserve analysis cycle.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** ASH DISPOSAL

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** Fund established to mitigate pending future tip fee increases from the impact of the Hartford Landfill closure resulting in significant increases in tip fees starting in fiscal year 2009 for the cost of transportation and disposal of ash to out-of-state facilities.

**Fund Basis:** The fund basis will be reviewed annually as part of the budget process.

**Fund Source:** The initial funding of the reserve will come from the fiscal year 2008 operating budget.

**Fund Amount as Of June 30, 2007:** \$0

**Term:** Upon the determination by the Board that the reserve is no longer required or June 30, 2011.

**Recommendation:**

Establish the reserve as part of the fiscal year 2008 budget.

# Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** HARTFORD LANDFILL POSTCLOSURE

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill.

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to monitor and maintain the landfill is \$21,163,000 including insurance premiums and administrative costs. These estimates do not include any funds for future changes in law.

**Fund Source:** Initial funding of \$500,000 came from a previous reserve called the Hartford Landfill Closure / Postclosure Reserve. Additional funding is to come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$2,369,119

**Term:** Thirty years after the landfill is certified closed. Certified closed in CIRCA 2011.

## **Supporting Documentation:**

The Board approved the following resolution at their October 2003 meeting.

“...**FURTHER RESOLVED:** That the Hartford Landfill Closure/Postclosure Reserve be split into two separate reserves (balance as of August 31, 2003 was \$7,109,905.17) and that \$500,000 of these funds be designated for the Hartford Postclosure Reserve and the remaining fund balance be designated for the Hartford Landfill Closure Reserve....”

## **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** ELLINGTON LANDFILL POSTCLOSURE

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill.

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to monitor and maintain the landfill is \$4,233,000 including insurance premiums and administrative costs. These estimates do not include any funds for future changes in law.

**Fund Source:** Past and future funding comes from operating budgets.

**Fund Amount as Of June 30, 2007:** \$2,088,103

**Term:** Thirty years after the landfill is certified closed. Certified closed in October 1998, postclosure ends fiscal year 2029.

### **Supporting Documentation:**

The Board approved the following resolution at their October 2003 meeting.

“...**FURTHER RESOLVED:** That the Ellington Landfill Closure/Postclosure Reserve be renamed the Ellington Postclosure Reserve.”

### **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** HARTFORD LANDFILL CLOSURE

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover the anticipated expenditures associated with the closure of the Bulky Waste and Ash Residue areas of the Hartford Landfill.

**Fund Basis:** The basis is reviewed annually by internal staff. Per the existing agreement with the City of Hartford the Authority is responsible to pay all closure costs. The current estimated cost in real dollars is \$27,200,000.

**Fund Source:** Initial funding came from a prior Hartford Landfill Closure/Postclosure Reserve. Additional funding is to come from future operating budgets.

**Fund Amount as Of June 30, 2007:** \$11,263,279

**Term:** Upon certified closure of the landfill.

### **Supporting Documentation:**

The Board approved the following resolution at their October 2003 meeting.

“...**FURTHER RESOLVED:** That the Hartford Landfill Closure/Postclosure Reserve be split into two separate reserves (balance as of August 31, 2003 was \$7,109,905.17) and that \$500,000 of these funds be designated for the Hartford Postclosure Reserve and the remaining fund balance be designated for the Hartford Landfill Closure Reserve....”

### **Recommendation:**

The Authority has recorded the closure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RISK FUND

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To protect the project against catastrophic losses.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amounts as Of June 30, 2007:** \$5,482,847

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the Policy Establishing the Risk Financing Plan, which included the Risk Fund on September 18, 1990. On December 19, 1996 the Board approved a modification to the CRRA Risk Fund Policy. The resolutions and minutes are extensive.

### **Recommendation:**

Reevaluate the risk assessments and update during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE STABILIZATION

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** This reserve is to provide a source of funds which will be used to ameliorate future debt service.

**Fund Basis:** The basis will be reviewed annually during the budget cycle by evaluating various projection scenarios through the term of the existing project.

**Fund Source:** During fiscal year 2006, \$14,663,000 was deposited into the reserve. The Board authorized an additional \$1.4 million from the fiscal year 2005 surplus to be deposited into this reserve. An additional \$4.3 million has been budgeted to be deposited into this account in fiscal year 2007.

**Fund Amount as of June 30, 2007:** \$4,575,965

**Term:** Upon final payment of bonds or when the Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the following resolution at their April 2005 meeting.

**RESOLVED:** That a Debt Service Stabilization Reserve be created for the Mid-Connecticut Project for the purpose of paying future debt service during a period when the project will experience a revenue shortfall due to the loss Enron energy revenues.

**FURTHER RESOLVED:** That the initial funding for this reserve be through the fiscal year 2006 operating budget.

The Board approved the following resolution at their October 2005 meeting.

**"FURTHER RESOLVED:** that \$1,457,028 from the Mid-Connecticut Project fiscal year 2005 project surplus be deposited into the Debt Service Stabilization Reserve in the Mid-Connecticut Project."

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** FACILITY MODIFICATION

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover capital expenditures associated with the Mid-Connecticut Project facilities.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$5,668,747

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

Minutes found suggest the Board approved this reserve in the past. The Board approved a resolution on June 18, 1991 to transfer \$8,624,000 from prior year operating budget surpluses for WPF improvements. The Board adopted resolutions to designate Mid-Connecticut retained earnings to the WPF Modification reserve in the amounts of \$4,490,000 and \$3,925,000 on June 17, 1999 and May 18, 2000 respectively.

The Board approved the following resolution at their October 2005 meeting.

**“FURTHER RESOLVED:** that the Waste Processing Facility Modification Reserve for the Mid-Connecticut Project be renamed the Facility Modification Reserve.”

### **Recommendation:**

Management is hiring an outside consultant to perform a full analysis of this reserve in fiscal year 2008.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** ROLLING STOCK

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover costs associated with the purchase of new and/or rebuilds of equipment such as tractors, trailers, loaders, containers, sweepers, etc.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** Past funding has come from operating budgets and retained earnings.

**Fund Amount as Of June 30, 2007:** \$3,621,196

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

Minutes found suggest the Board approved this reserve in the past. On June 17, 1999 the Board approved a resolution to transfer \$680,000 from prior year operating budget surpluses to this reserve.

### **Recommendation:**

Management is hiring an outside consultant to perform a full analysis of this reserve in fiscal year 2008.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RECYCLING

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To reserve funds necessary for future capital repairs and/or replacements or any other recycling activities the Authority may pursue.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** On June 30, 2003, the entire balance of \$1,739,925 from the Regional Recycling Center Paper Equipment Reserve was transferred into this reserve.

**Fund Amount as Of June 30, 2007:** \$1,852,804

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the following resolution at their July 2003 meeting.

**“RESOLVED:** that the Regional Recycling Center Paper Equipment Replacement Reserve for the Mid-Connecticut Project be reclassified from Restricted to Board Designated (balance as of May 31, 2003 was \$1,729,509).

**FURTHER RESOLVED:** That the Regional Recycling Center Paper Equipment Replacement Reserve be renamed Recycling Reserve.

**FURTHER RESOLVED:** That the Regional Recycling Center Paper Equipment Replacement Reserve be dissolved.”

### **Recommendation:**

Management will perform an analysis to review the purpose and need for this reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** SOUTH MEADOWS SITE REMEDIATION

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To pay for change orders not covered in the original scope of services for the South Meadows site remediation project.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** The initial funding of an estimated \$245,000 for this reserve came from a credit received from the contractor due to a reduction in the original scope of work.

**Fund Amount as of June 30, 2007:** \$194,506

**Term:** Upon completion of the work or when the Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the following resolution at their April 2005 meeting.

**“RESOLVED:** That a reserve be established to cover costs not included in the original scope of the South Meadows property remediation project for the Jets/Energy Generating Facility.”

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** LANDFILL DEVELOPMENT FUND

**Designation:** Board Designated

**Project:** Mid-Connecticut

**Purpose:** To cover ash landfill development expenditures.

**Fund Basis:** Based upon preliminary estimate for development costs.

**Fund Source:** Initial funding came from \$1.4 million of the fiscal year 2005 project surplus. Additional funding came from the FY07 operating budget.

**Fund Amount as Of June 30, 2007:** \$2,573,445

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the following resolution at their October 2005 meeting.

“...**FURTHER RESOLVED:** that a Landfill Development Fund be created for the Mid-Connecticut Project to pay for ash landfill development costs and that \$1,400,000 from the fiscal year 2005 project surplus be transferred into the reserve.”

### **Recommendation:**

Perform a full analysis of the reserve during the annual budget process.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:**     DEBT SERVICE RESERVE FUND

**Designation:** Restricted - Trustee

**Project:**     Southeast

**Purpose:**     To provide debt service payment security to bondholders.

**Fund Basis:** Maximum Annual Debt Service amount in any calendar year, adjusted annually by the Trustee.

**Fund Source:** 1998 Series Bonds

**Fund Amount as of June 30, 2007:**     \$910,750

**Term:**        Upon final payment of bonds.

### **Supporting Documentation:**

Section 5.1 (A) (3) of the Indenture of Mortgage and Trust dated as of December 1, 1988 as supplemented.

### **Recommendation:**

The Authority will commence to draw upon in the final year of debt service.

**Connecticut Resources Recovery Authority**

October 25, 2007

**Reserve:**     DEBT SERVICE FUND

**Designation:** Restricted - Trustee

**Project:**     Southeast

**Purpose:**     To provide debt service payments (principal and interest) to bondholders.

**Fund Basis:** One-sixth of the next ensuing interest payment amount due and one-twelfth of the next ensuing principal payment amount due.

**Fund Source:** Monthly transfers from the Revenue Fund.

**Fund Amount as of June 30, 2007:**     \$356,892

**Term:**        Upon final payment of bonds.

**Supporting Documentation:**

Section 5.1 (A) (2) of the Indenture of Mortgage and Trust dated as of December 1, 1988, as supplemented.

**Recommendation:**

Funding source will change from the Revenue Fund to the Debt Service Reserve Fund in the final bond year.

**Connecticut Resources Recovery Authority**

October 25, 2007

**Reserve:** REVENUE FUND

**Designation:** Restricted - Trustee

**Project:** Southeast

**Purpose:** To accept all payments related to the Southeast project.

**Fund Basis:** None

**Fund Source:** Tip fees, energy revenues and other miscellaneous income.

**Fund Amount as of June 30, 2007:** \$1,193,914

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 5.1 (A) (8) of the Indenture of Mortgage and Trust dated as of December 1, 1988, as supplemented.

**Recommendation:**

Continue to utilize the account until final payment of bonds.

# Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** REBATE FUND

**Designation:** Restricted - Trustee

**Project:** Southeast

**Purpose:** To pay the Internal Revenue Service in the event any funds relating to the bonds earn more than the arbitrage yield.

**Fund Basis:** As required by the Indenture

**Fund Source:** 1998 Series A Bonds

**Fund Amount as of June 30, 2007:** \$168,210

**Term:** Upon final payment of bonds.

## **Supporting Documentation:**

The following is language from Section 3.2 of the 1998 Series A Supplemental Indenture of Mortgage and Trust dated March 1, 1998

“There is hereby created and established a Rebate Fund. The Rebate Fund shall be held in trust solely for the purpose of making rebate payments, if any, to the federal government and shall not be held in trust for or pledged as security for payments required to be made to the Holders of the Bonds.”

The following is language from Section 3.4 of the 1998 Series A Supplemental Indenture of Mortgage and Trust dated March 1, 1998

“(A) There shall be deposited in the Rebate Fund such amounts as (i) the Authority may pay to the Trustee for deposit therein pursuant to the Indenture or any Tax Regulatory Agreement or (ii) the Lessee may pay to the Trustee for deposit therein pursuant to the Lease Agreement or any Tax Regulatory Agreement (or cause an Parent to pay or cause to be paid to the Trustee for deposit there pursuant to the Company Support Agreement).”

## **Recommendation:**

Continue to have outside arbitrage consultant review on an annual cycle. Upon final bond payment the account will be closed.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** MONTVILLE POST-CLOSURE

**Designation:** Restricted

**Project:** Southeast

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill.

**Fund Basis:** Updated annually during the budget process by the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRA").

**Fund Source:** Initial funding came from a payment of \$2 million from the Mohegan Properties, LLC pursuant to Section 4.5.4 of the Ground Lease between Southeastern Connecticut Resources Regional Recovery Authority and Mohegan Properties. In fiscal year 2005, SCRRA withdrew approximately \$1.5 million from the reserve to redeem the 1989 Series Bonds. Future funding will come from operating budgets.

**Fund Amount as Of June 30, 2007:** \$524,711

**Term:** Thirty years after the landfill is certified closed.

### **Supporting Documentation:**

The Board approved the following resolution on October 21, 1999:

Chairman Ellef requested a motion on the reference topic. Director Winkler made the following motion:

RESOLVED: That \$2,000,000 received by the Authority from Mohegan Properties, LLC, pursuant to Section 4.5.4 of the Ground Lease Between Southeastern Connecticut Resources Regional Recovery Authority and Mohegan Properties, LLC (the "Ground Lease") is deposited into the Montville Landfill Postclosure Reserve as required by the Ground Lease.

FURTHER RESOLVED: That \$990,000 of existing funds in the Montville Landfill Postclosure Reserve by de-designated for application to other project purposes.

### **Recommendation:**

Continue to maintain the reserve as required by SCRRA.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** RISK FUND

**Designation:** Board Designated

**Project:** Southeast

**Purpose:** To protect the project against catastrophic losses.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** Past funding has come from operating budgets.

**Fund Amounts as Of June 30, 2007:** \$251,972

**Term:** When Board dissolves the reserve.

### **Supporting Documentation:**

The Board approved the Policy Establishing the Risk Financing Plan, which included the Risk Fund on September 18, 1990. On December 19, 1996 the Board approved a modification to the CRRA Risk Fund Policy. The resolutions and minutes are extensive.

### **Recommendation:**

Reevaluate the risk assessments and update during the annual budget process for each project.

**Connecticut Resources Recovery Authority**

October 25, 2007

**Reserve:** DEBT SERVICE RESERVE FUND

**Designation:** Restricted - Trustee

**Project:** Wallingford

**Purpose:** To secure bond debt service payment for bondholders.

**Fund Basis:** 10% of original issue par value.

**Fund Source:** 1998 Bond Series

**Fund Amount as of June 30, 2007:** \$625,316

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 5.1 (A) (3) of the Indenture of Trust dated December 1, 1985.

**Recommendation:**

The Authority will commence to draw upon in fiscal year 2008 to pay towards the final year of debt service.

# Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** DEBT SERVICE FUND

**Designation:** Restricted - Trustee

**Project:** Wallingford

**Purpose:** To provide debt service (principal and interest) payments to bondholders.

**Fund Basis:** One-sixth of the next ensuing interest payment amount due and one-twelfth of the next ensuing principal payment due.

**Fund Source:** Monthly transfers from the Wallingford Revenue Fund.

**Fund Amount as of June 30, 2007:** \$475,621

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 5.1 (A) (2) of the Indenture of Trust dated December 1, 1985. Composed of Debt Service Interest Fund and Debt Service Principal Funds.

**Recommendation:**

Funding source will change from the Revenue Fund to the Debt Service Reserve Fund in the final bond year.



**Connecticut Resources Recovery Authority**

October 25, 2007

**Reserve:** REVENUE FUND

**Designation:** Restricted - Trustee

**Project:** Wallingford

**Purpose:** To accept all payments related to the Wallingford project.

**Fund Basis:** None

**Fund Source:** Tip fees, energy revenues and other miscellaneous income.

**Fund Amount as of June 30, 2007:** \$1,403,048

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 5.1 (A) (5) of the Indenture of Trust dated December 1, 1985.

**Recommendation:**

Continue to utilize the account until final payment of bonds.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** REBATE FUND

**Designation:** Restricted - Trustee

**Project:** Wallingford

**Purpose:** To pay the Internal Revenue Service in the event any funds related to the bonds earn more than the arbitrage yield.

**Fund Basis:** As required by the Indenture.

**Fund Source:** 1998 Series A, B & C Bonds

**Fund Amount as of June 30, 2007:** \$120,124

**Term:** Upon final payment of bonds.

**Supporting Documentation:**

Section 3.3 of the Fourth Supplement to the Amended and Restated Indenture of Mortgage and Trust dated September 1, 1998.

**Recommendation:**

Continue to have outside arbitrage consultant review on an annual cycle. Upon final bond payment the account will be closed.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** CUSTOMER GUARANTEE OF PAYMENT

**Designation:** Restricted

**Project:** Wallingford

**Purpose:** To deposit the cash guaranty of payments ("GOP") received by the Authority by some of its customers.

**Fund Basis:** Varies by customer based upon their delivery trends.

**Fund Source:** Authority customers

**Fund Amount as of June 30, 2007:** \$74,473

**Term:** Various

**Supporting Documentation:**

Permitting, Disposal and Billing Procedures all for cash GOP's.

**Recommendation:**

Continue to maintain the reserve as long as customers have cash GOP's.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** TIP FEE STABILIZATION

**Designation:** Restricted

**Project:** Wallingford

**Purpose:** Fund established per the municipal solid waste agreements with the towns for the purpose of paying all or a portion of system costs for any contract year.

**Fund Basis:** The municipal service contracts stipulate that any surpluses or deficits are to be deposited or withdrawn from this reserve.

**Fund Source:** Per the agreement all surpluses or deficits are to flow through this reserve. These deposits and withdrawals require approval from the Wallingford Policy Board.

**Fund Amount as Of June 30, 2007:** \$15,289,979

**Term:** Upon termination of the municipal solid waste agreements.

### **Supporting Documentation:**

Below is the contract language in Section 6.03 in reference to this Reserve, otherwise known as the Municipal Disposal Fee Stabilization Fund. The entire section pertaining to this Fund is available in the reserve folder.

At least one hundred fifty (150) days prior to the beginning of each Contract Year, the Municipal Disposal Fee will be calculated as follows:

System Cost and System Revenue for each Contract Years shall be estimated. The estimated System Cost shall be (i) increased by that amount, if any, which the Policy Board and the Authority determine is to be deposited in the Municipal Disposal Fee Stabilization Fund, or (ii) decreased by that amount, if any, which the Policy Board and the Authority determine is to be withdrawn from the Municipal Disposal Fee Stabilization Fund and applied against System Costs.

### **Recommendation:**

Continue to maintain reserve as required by contract and perform a full analysis of the reserve during the annual budget process.

## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** WALLINGFORD LANDFILL TRUST

**Designation:** Restricted - Trustee

**Project:** Wallingford

**Purpose:** To maintain financial assurance for postclosure care, thirty years of monitoring and maintenance, as required by 40 CFR 265.145 and Section 22a-449 (c) -30 CT HWMR.

**Fund Basis:** Estimated thirty years of monitoring and maintenance costs.

**Fund Source:** No supporting documents found.

**Fund Amount as Of June 30, 2007:** \$146,379

**Term:** Upon completion of thirty years of postclosure monitoring and maintenance.

### **Supporting Documentation:**

The following is language from the regulations.

“...an owner or operator of a facility with a hazardous waste disposal unit must establish financial assurance for post-closure care of the disposal unit...”

### **Recommendation:**

Continue to maintain account until the DEP issues a final hazardous waste postclosure permit for the entire landfill which would then allow for this account to be closed, since a postclosure account has already been funded for the Wallingford landfill.

# Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** WALLINGFORD POST-CLOSURE

**Designation:** Board Designated

**Project:** Wallingford

**Purpose:** To cover the costs associated with the monitoring and maintenance of the landfill for thirty years after the certified closure of the landfill.

**Fund Basis:** The basis is reviewed annually by internal staff and on occasion by an outside consultant to verify that the reserve is adequately funded. Current cost estimate in real dollars to monitor and maintain the landfill is \$6,704,000 including insurance premiums and administrative costs. These estimates do not include any funds for future changes in law.

**Fund Source:** Past contributions have been through the annual operating budget.

**Fund Amount as Of June 30, 2007:** \$7,116,751

**Term:** Thirty years after the landfill is certified closed. The landfill was certified closed in February 2005 and the postclosure ends in fiscal year 2035.

## **Supporting Documentation:**

Below is Section 5.12 of the Amended and Restated Municipal Solid Waste Delivery And Disposal Contract between CRRA and the Town of Wallingford in reference to this Reserve. The entire section of the contract pertaining to this reserve is available in the reserve folder.

The Authority, with the approval of the Policy Board, shall establish a fund intended to meet any and all costs and expenses related to the Facility, the Site and/or the Residue Disposal Site(s), including but not limited to environmental clean-up costs and post-closure monitoring costs, which may result from the use of the Facility, The Site and/or the Residue Disposal Site(s) pursuant to this Agreement but which are not quantified or do not arise until after this Agreement otherwise ends.

In addition, the following language is from Section 6.12 of the Lease Agreement between CRRA and the Town of Wallingford.

The Authority shall provide all post-closure maintenance and monitoring of the Demised Property required by then applicable DEP regulations. The provisions of this Section 6.12 shall survive the term of this lease.

## **Recommendation:**

The Authority has recorded the postclosure liability on its financial statements; therefore a Board designated unrestricted reserve is not required. However, a separate Short Term Investment Fund (STIF) should be established to segregate funds that will fund the liability. Transfer these funds into a STIF account

designated for this same purpose. Continue to perform a full analysis of the account including funding requirements during the annual budget process.

**Connecticut Resources Recovery Authority**  
October 25, 2007

**Reserve:**     RISK FUND

**Designation:** Board Designated

**Project:**     Wallingford

**Purpose:**     To protect the project against catastrophic losses.

**Fund Basis:** The basis will be determined annually during the budget process.

**Fund Source:** All documentation found indicates that funding of this reserve has occurred through the operating budget.

**Fund Amounts as Of June 30, 2007:**     \$1,047,107

**Term:** When Board dissolves the reserve.

**Supporting Documentation:**

The Board approved the Policy Establishing the Risk Financing Plan, which included the Risk Fund on September 18, 1990. On December 19, 1996 the Board approved a modification to the CRRA Risk Fund Policy. The resolutions and minutes are voluminous. Complete minutes are available in the reserve backup file.

**Recommendation:**

Reevaluate the risk assessments and update during the annual budget process for each project.



## Connecticut Resources Recovery Authority

October 25, 2007

**Reserve:** FUTURE USE/PLANNING

**Designation:** Board Designated

**Project:** Wallingford

**Purpose:** To cover costs associated with the termination of the existing project, extension costs associated with the existing project or costs associated with developing a new strategy for the member towns post current project.

**Fund Basis:** The basis is contingent upon the completion of the future option study. The process is still on-going.

**Fund Source:** Contributions have been through the annual operating budget.

**Fund Amount as of June 30, 2007:** \$6,496,879

**Term:** The reserve will be maintained until it is fully funded to meet the obligations of the project, to terminate the existing project or extend the existing project.

### **Supporting Documentation:**

The Board and the Wallingford Policy Board adopted the following language at their respective April 2005 meetings.

**“RESOLVED:** That a Future Use/Planning Reserve be established for the Wallingford Project for the purpose of funding termination costs associated with the existing project, funding extension costs associated with the existing project or funding costs associated with developing a new strategy for the member towns upon termination of the existing project.

### **Recommendation:**

Continue to maintain the reserve until the future option study has been completed at which time the reserve will be reevaluated.