

CONNECTICUT RESOURCES RECOVERY AUTHORITY

FOUR HUNDRED AND FIRST MEETING

FEBRUARY 16, 2006

A Regular meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Thursday, February 16, 2006 at 100 Constitution Plaza, Hartford, Connecticut. Those present were:

Chairman Michael Pace

Directors: Benson Cohn
Mark Cooper
James Francis (Present until 11:00 a.m.)
Edna Karanian
Mark Lauretti
Raymond O'Brien
Andrew Sullivan (Present by telephone)
Timothy Griswold - Ad-Hoc, Mid-Connecticut Project
Elizabeth Horton Sheff – Ad-Hoc, Mid-Connecticut Project

Present from the CRRA staff:

Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Peter Egan, Director of Environmental Affairs & Development
Floyd Gent, Director of Operations
Laurie Hunt, Director of Legal Services
Paul Nonnenmacher, Director of Public Affairs
Michael Bzdyra, Government Relations Liaison
Robert Constable, Controller
Donna Tracy, Executive Assistant
Kristen Greig, Secretary to the Board/Paralegal

Also present were: Dave Arruda of MDC, Jason Manafort of CWPM, Frank Marci of USA Hauling & Recycling, John Pizzimenti of USA Hauling & Recycling, Christine Stuart of the Journal Inquirer, Cheryl Thibeault of Covanta.

Present only for a portion of the Executive Session were: Christopher Shepard of CRRA, Mark Baldwin, Esq. of Brown Rudnick Berlack Israels and Douglas Cohen, Esq. of Brown Rudnick Berlack Israels.

Chairman Pace called the meeting to order at 9:40 a.m. and stated that a quorum was present.

PLEDGE OF ALLEGIANCE

Chairman Pace requested that everyone stand for the Pledge of Allegiance, whereupon, the Pledge of Allegiance was recited.

Chairman Pace regretfully informed the Board that Director Woody Lovejoy passed away and requested a moment of silence, whereupon, a moment of silence was observed.

PUBLIC PORTION

Chairman Pace said that the agenda allowed for a public portion in which the Board would accept written testimony and allow individuals to speak for a limit of three minutes.

Chairman Pace noted that there were no comments from the public and that the regular meeting would commence.

APPROVAL OF THE MINUTES OF THE JANUARY 26, 2006 REGULAR BOARD MEETING

Chairman Pace requested a motion to approve the minutes of the January 26, 2006 Board Meeting. The motion was made by Director O'Brien and seconded by Director Cooper.

Attorney Hunt noted that the word "operators" was omitted from the resolution at the bottom of page 20. The end of the sentence should read ". . . that no action to re-bid or to otherwise pursue an RFP for a change in operators of the Waste Processing Facility be taken."

Mr. Kirk pointed out that there was quite a bit of discussion regarding the referenced resolution, which resulted in some changes from the original. Mr. Kirk said that, after reviewing the tapes of the meeting, the resolution was revised to conform to the intent of the Board, which was different from the resolution that was read at the meeting. Mr. Kirk stated that he would like to be certain that the Board is comfortable with the wording of the resolution.

The minutes as amended were approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Benson Cohn	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Raymond O'Brien	X		
Andrew Sullivan	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			
Elizabeth Horton Sheff, Ad Hoc, Mid-Connecticut			

2007 MID-CONNECTICUT PROJECT OPERATING BUDGET, TIP FEES AND CAPITAL PROJECTS

Chairman Pace requested a motion regarding the above-captioned matter. The motion was made by Director O'Brien.

RESOLVED: That the fiscal year 2007 Mid-Connecticut Project operating budget and capital budget be adopted as presented at this meeting.

FURTHER RESOLVED: That the following tip fees be adopted for fiscal year 2007.

WASTE STREAM	PER TON TIP FEES
Municipal Solid Waste (MSW)	\$69.00
Metals	\$75.00
Bulky Waste – Municipal	\$85.00
Bulky Waste – Commercial	\$96.00
White Goods (Metals)	\$74.00
DEP Certified Soils	\$95.00
Non-Processible Waste Fee	\$85.00
Non-Municipal Mattress Surcharge (<i>Per Unit Fee</i>)	\$15.00
Recycling Tip Fee	\$00.00

Director Cooper seconded the motion.

Director O'Brien noted that the budget was thoroughly discussed at the Finance Committee meeting and was being recommended with some dissenting votes from the Committee.

Chairman Pace stated that the key item to note in the budget was the recommended reduction in the tip fee from \$70 per ton to \$69 per ton.

Chairman Sullivan noted that he was unable to vote at the Finance Committee meeting, and said that he would have voted against the reduction. Chairman Sullivan explained if the tip fee is reduced now and it has to be substantially increased in the future, he believes CRRA's customers will be totally disenchanted. Chairman Sullivan said that, due to the levels of inflation, he thinks the appropriate action is to maintain the tip fee at \$70 per ton. Chairman Sullivan emphasized that he did not think it was a prudent business decision to reduce the tip fee.

Director Cohn said that, although it is gratifying that this discussion is even on the table, he remains concerned that the organization is only reserving funds for known contingencies. Director Cohn stated that, given the frequency with which additional contingencies arise, he remains uncomfortable with the prudence of reducing the tip fee at the expense of reserving additional funds for unknown contingencies.

Director O'Brien stated that he initially agreed with those arguments, but was convinced otherwise by Director Francis when he pointed out that CRRA has had an exceptionally good

year and CRRA's customers deserve to reap some of those benefits. Director O'Brien said the CRRA has an obligation to cover costs through all of its revenue sources and added that he will support the \$69 per ton tip fee because CRRA will be in a position to cover all necessary expenses with the reduction. Director O'Brien stated that the reduction would show good faith and also show that CRRA is truly concerned with representing its stakeholders in the best manner possible.

Regarding the contribution to the Hartford Landfill Post Closure Reserve shown on page 3, Director Horton Sheff asked if there has been an agreement between the City of Hartford and CRRA regarding post closure responsibilities. Mr. Kirk responded in the negative and Chairman Pace added that he would be meeting with Mayor Perez next week. Chairman Pace noted that, even though an agreement has not yet been reached, CRRA is still setting funds aside for that purpose.

Chairman Sullivan stated that he thinks the municipalities would be content if CRRA maintained the tip fee at \$70 per ton because, considering rising costs, it is almost impossible for the price of most services to remain the same. Chairman Sullivan pointed out that the reduction would have a cumulative effect in the years beyond fiscal year 2007 so it would be beneficial to maintain the tip fee now to reduce the potential need for more significant increases in the future.

Director Karanian noted that she supports the reduction and explained that her decision came down to weighing the risks versus the benefits. Director Karanian said that the budget covers expenses and contributes to reserves for all known potential liabilities, so with a conservative budget such as this, the reduction provides a substantial benefit, which should be given back to the people that CRRA is developing the budget for. Director Karanian said that the financial risk associated with the reduction is minimal.

Director Francis pointed out the CRRA has publicized that the organization has had a good year, in terms of recovering funds from the Enron case, reducing debt service, and the successful outcome of the MDC arbitration. Director Francis stated that the goodwill and credibility that CRRA will gain by this decrease would be valuable to CRRA as we move toward 2012 when the Authority will be asking towns to renew their contracts.

Director Horton Sheff asked if the tip fee was anticipated to increase next year. Chairman Pace responded that the Chairman of the Finance Committee projected a possible increase. Director Horton Sheff said that, if that is the case, the tip fee should be maintained at \$70 per ton rather than fluctuating. Director Karanian said that, being uncertain as to what the future holds, there could be an equal chance that CRRA could be in a different situation next year and the situation would have to be assessed at that time. Director Karanian said that CRRA is now in a position to do something, and saying that the tip fee might have to increase in a year is no excuse to shy away from CRRA's goal of providing services at the lowest possible cost.

Director Lauretti stated that, although he can appreciate the merit of both sides of the discussion, he would not be supporting the reduction. Director Lauretti added that there is something to be said for consistency and, while the Mid-Connecticut Project has made substantial progress financially, he did not want to suggest that the Project has completely recovered from the Enron loss. Director Lauretti said that maintaining a price that the towns are already comfortable with while strengthening its position for unforeseen issues would provide a level of comfort going forward.

Mr. Kirk explained that the management team is conservative by nature and said that this is an appropriately conservative budget that contributes substantial funds to reserves. Mr. Kirk agreed that there could be unforeseen contingencies that might occur, but stated that he believes that CRRA has planned for those to the extent that it is prudent and reasonable. Mr. Kirk stated that management would never recommend a reduction in the tip fee if they would reasonably anticipate having to take that back in any substantial way in the next fiscal year. Mr. Kirk noted that there will inevitably be increases in the future, but said that the major benefit of this reduction is psychological, and recognized that benefit would be lost if the tip fee were to increase significantly next year. Mr. Kirk stated that this recommendation is anticipating that CRRA will be able to maintain a very modest, below cost of living increase in years to come. Mr. Kirk said that reducing the tip fee is a legitimate sign that CRRA is recovering and in a position to be able to save its customers money in a time when many other costs are increasing. Mr. Kirk concluded that management thinks this is a conservative recommendation and the psychological benefit to the organization is well worth the minimal risk associated with the reduction.

Director Lauretti asked if it was fair to say that CRRA is still facing many liabilities. Mr. Kirk responded in the affirmative, but said there will always be liabilities and if that was used as the only measure, the tip fee could never be reduced. Director Lauretti noted that the specific liabilities currently facing CRRA are significant and said it would be more prudent to prepare for those liabilities at every possible opportunity. Mr. Kirk said that CRRA has conservatively addressed the known liabilities, but recognized that there may be unknown liabilities. Director Lauretti stated that maintaining the tip fee would show the towns that CRRA has managed its affairs as responsibly and economically as possible.

Mr. Bolduc stated that because CRRA has not yet recovered the full \$220 million loss from Enron, he would be more comfortable with the \$70 per ton tip fee, but noted that the reduction can serve a purpose. Mr. Bolduc said, however, that it was important to realize that the dollar reduction would not only affect fiscal year 2007, but also the next seven years. Mr. Bolduc said that the forecasts are based on assumptions and the graph on page 21 still shows a large gap in the years ahead. Mr. Bolduc stated that CRRA has high expectations that resolutions from some of the pending litigation will level out that gap. Mr. Bolduc added that he is sensitive to the importance of sending a signal and said that that signal will be highly dependant upon how the issue is portrayed in the media.

Director Francis said that this budget seems to take care of the needs of the organization. Director Francis pointed out that there is a \$7 million increase in waste transport costs in anticipation of the closure of the Hartford Landfill, which is a significant expense that has been accounted for in this budget. Director Francis added that there was also a \$4.4 increase in the funds being allocated to the reserves, increases in marketing fees, legal fees, and a reserve for the Waste Processing Facility was added. Director Francis said that, if CRRA's needs were not taken care of, he would not support the decrease, but said that is not the case. Since these needs are met in the budget, it is time to give the member communities a break.

Director Karanian stated that she has heard the President of the organization say that he is comfortable with the minimal risk in the budget as presented. Director Karanian noted that if management is saying they are comfortable with the budget, it is probably very conservative

because they are the ones who will have to work within that budget. Director Karanian said that this could even provide management with added incentive to work for every possible savings for the organization. Director Karanian said that reducing the tip fee is the right thing to do for CRRA's customers.

Chairman Pace stated that most people never thought CRRA would be having this discussion and added that many people did not even think CRRA would be in existence today. Chairman Pace said that at the first Board meeting with the new Board, he presented an aggressive plan because the company had to be aggressive in order to survive. Chairman Pace stated that he has the utmost respect for every member of this Board and said that what has made this company strong is that the Board has not always agreed on everything. Chairman Pace acknowledged that every argument in this discussion is valid.

Chairman Pace said that this new Board was instituted for several reasons: to save the company and to mitigate the losses from Enron, to restructure the organization, to seek out cost savings and provide a service to CRRA's customers at the lowest possible cost. Chairman Pace stated the purpose of this quasi-public agency is to create competition within the private sector so prices are brought to a lower level. Chairman Pace stated that the reduction is only \$1 per ton, but it is a dollar of significance. It is a dollar of the money of the citizens of the Connecticut. Chairman Pace said he would not be supporting a reduction of the tip fee if it were not prudent. Chairman Pace acknowledged that there were outstanding liabilities, but pointed out that several millions of dollars were being put into reserves for those purposes. Chairman Pace said that he looks at this issue as the charge of the Board: to reorganize the company and provide services to the municipalities at the lowest possible cost. Chairman Pace added that wherever there is risk, there is also opportunity, and said he looks at this as an opportunity. Chairman Pace concluded that the Board and management team deserve a lot of credit for allowing this discussion to be on the table.

The motion previously made and seconded was approved by roll call with the votes recorded as follows:

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Benson Cohn		X	
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Laretti		X	
Raymond O'Brien	X		
Andrew Sullivan		X	
Timothy Griswold, Ad Hoc, Mid-Connecticut	X		
Elizabeth Horton Sheff, Ad Hoc, Mid-Connecticut		X	
Non Eligible Voters			
NONE			

CHAIRMAN'S AND COMMITTEE REPORTS

Policies & Procurement Committee

RESOLUTION ADOPTING THE CONNECTICUT RESOURCES RECOVERY AUTHORITY REVISED ETHICS POLICY

Chairman Pace requested a motion regarding the above-captioned matter. The motion was made by Director Cohn.

RESOLVED: That the Board hereby adopts the revised Ethics Policy, substantially as presented and discussed at this meeting.

Director O'Brien seconded the motion.

Referring to item 4 on page 7, Director Francis said that items (b) and (c) potentially represent some difficulties for Board members. For example, Director Francis said that if he were no longer on the Board, he still might represent the town of West Hartford as the Finance Director concerning matters related to CRRA. Director Francis stated that these sections could create substantial conflicts. Director Cohn responded, stating that CRRA is bound by these restrictions because they are specifically established in the Code of Ethics. Director Cohn added that the Committee tried to mitigate the issues that public officials have in other sections of the policy. Director Francis said that these restrictions could create problems in terms of getting and maintaining membership on the Board because public officials will not give up their right to represent their towns.

Mr. Kirk asked if it would be possible to get guidance from the Office of State Ethics on how CRRA should interpret this restriction in terms of its statutorily required membership of public officials. Director O'Brien stated that CRRA should get a ruling on how this applies to members who are already public officials when they are appointed and also members who become public officials during their term with CRRA. Director O'Brien stated that this provision of the policy is counter-productive to the best interests of CRRA. Director Cohn agreed that this issue is of enough significance to pursue a ruling from the Office of State Ethics and said that could be completed post-approval of the policy because there are other elements of the policy that need to be approved. Chairman Pace agreed that it is important to move forward with the approval of the policy to be in compliance with changes at the state level.

Director Cohn gave a thorough explanation of the changes made to the policy, including changes that were made since the Committee last reviewed the policy.

A lengthy discussion ensued regarding what constitutes a substantial conflict of interest and what a Board member's obligations are when a conflict exists. Director Horton Sheff stated that she can see a situation where she may have a conflict by virtue of being a representative of the City of Hartford. Director Horton Sheff said that she would like to have her corporation counsel review this policy and give an opinion on this issue. Director Cohn stated that CRRA is faced with this unique conflict issue because of the specific set of circumstances the statutes relevant to the composition of the CRRA Board create. Director Cohn cautioned that, in addition

to avoiding substantial conflicts, the Board should also be aware when there is the appearance of a conflict.

Chairman Pace said that CRRA supports the ethics initiatives that have been promoted by the legislature and the Governor and added that it is CRRA’s goal to be an exemplary Board under those conditions. Chairman Pace noted that the concerns expressed are of a pragmatic nature and related to how CRRA will implement the changes to avoid even the appearance of a conflict.

The motion previously made and seconded was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Benson Cohn	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Raymond O'Brien	X		
Andrew Sullivan	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			
Elizabeth Horton Sheff, Ad Hoc, Mid-Connecticut			

Appointment of Board Committees by Chairman

Chairman Pace announced that the Committees appointments are as follows:

EXECUTIVE COMMITTEE comprising as members: Michael A. Pace, as Committee chair, Andrew M. Sullivan, Jr., Stephen T. Cassano and Benson R. Cohn.

ORGANIZATIONAL SYNERGY AND HUMAN RESOURCES COMMITTEE comprising as members: Mark Cooper, as Committee chair, Stephen T. Cassano, James Francis, and Edna Karanian.

FINANCE COMMITTEE comprising as members: Andrew M. Sullivan, Jr. as Committee chair, Raymond J. O’Brien as vice-chair, Benson R. Cohn, James Francis, Edna Karanian, Mark A. Lauretti, and Theodore H. Martland.

POLICIES & PROCUREMENT COMMITTEE comprising as members: Benson R. Cohn, as Committee chair, Theodore H. Martland, as vice-chair, Mark Cooper, Michael J. Jarjura and Raymond J. O’Brien.

Organizational Synergy & Human Resources Committee

Director Cooper informed the Board that the Committee completed performance evaluations for senior management and recommended salary adjustments to the Board. Director Horton Sheff pointed out that she was not given information on this matter. Attorney Hunt said that, because this is not a project-specific matter, the confidential information could not be provided to Ad-Hoc members. Director Horton Sheff objected, stating that salaries are a budget matter, and since the Mid-Connecticut Project contributes substantially to CRRA, she objects that the Mid-Connecticut representatives are not privy to that information. Attorney Hunt responded that the information was distributed with the intent that it would be discussed in Executive Session. Attorney Hunt informed the Board that she has an opinion from CRRA's general counsel that states that Ad-Hoc members are prohibited from participating in discussions on general matters in Executive Session. Chairman Pace said that this is not a matter of excluding the Ad-Hoc members, but a matter of compliance.

Mr. Kirk pointed out that senior management performance evaluations are before the Board to ensure compliance with the Governor's report on quasi-public agencies.

EXECUTIVE SESSION

Chairman Pace requested a motion to enter into Executive Session to discuss pending litigation and personnel matters with appropriate staff. The motion made by Director Cooper and seconded by Director O'Brien was approved unanimously. Chairman Pace requested that the following people be invited to the Executive Session:

Timothy Griswold - Ad-Hoc, Mid-Connecticut Project (Present until 12: 20 p.m.)

Elizabeth Horton Sheff – Ad-Hoc, Mid-Connecticut Project (Present until 12: 20 p.m.)

Tom Kirk

Jim Bolduc

Peter Egan (Present until 12:20 p.m.)

Floyd Gent

Laurie Hunt, Esq.

Christopher Shepard (Present until 12: 20 p.m.)

Mark Baldwin, Esq. of Brown Rudnick Berlack Israels (Present until 12: 20 p.m.)

Douglas Cohen, Esq. of Brown Rudnick Berlack Israels (Present until 12: 20 p.m.)

The Executive Session began at 11:05 a.m. and concluded at 12:35 p.m. Chairman Pace noted that no votes were taken in Executive Session.

The meeting was reconvened at 12:35 p.m.

RESOLUTION REGARDING SENIOR MANAGEMENT SALARIES

Chairman Pace requested a motion regarding the referenced item. Director Cooper made the following motion:

RESOLVED: That the salaries for the Director of Environmental Affairs, Director of Operations, and Director of Legal Services be adopted as presented and discussed by the Organizational Synergy & Human Resources Committee.

The motion was seconded by Director O'Brien.

Director O'Brien stated that he believed that, since the performance of specific employees was discussed, those employees have to be given the opportunity to either request public session or to be involved in the Executive Session, which can be waived by the employee. Attorney Hunt agreed and stated that all of the individuals at issue were aware that performance would be discussed in Executive Session and no requests such were made. Therefore, Attorney Hunt said that CRRA has satisfied that requirement.

Director Cooper noted that the Organizational Synergy Committee would coordinate with the Executive Committee to review the performance and salaries of the President and Chief Financial Officer.

The motion previously made and seconded was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Benson Cohn	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Raymond O'Brien	X		
Andrew Sullivan	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			
Elizabeth Horton Sheff, Ad Hoc, Mid-Connecticut			

ADJOURNMENT

Chairman Pace requested a motion to adjourn the meeting. The motion to adjourn made by Director Sullivan and seconded by Director Martland was approved unanimously.

There being no other business to discuss, the meeting was adjourned at 1:01 p.m.

Respectfully submitted,

Kristen B. Greig
Secretary to the Board/Paralegal