

Finance Committee
May 22, 2008 Regular Meeting

Draft Minutes

Members Present: Michael Pace, Board Chairman
Raymond O'Brien, Committee Vice-Chairman
Edna Karanian
Mark Lauretti (present by telephone from 9:55 -10:55 a.m.)
Theodore Martland (present by telephone starting 10:25 a.m.)
Linda Savitsky

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Bronisz, Assistant Treasurer & Director of Finance
Jeffrey Duvall, Senior Operations Analyst
Peter Egan, Director of Environmental Affairs & Development
Tina Mateo, Financial Analyst
Mike Tracey, Director of Operations
John Romano, Project Manager
Nhan Vo-Le, Director of Accounting
Moira Kenney, Secretary to the Board/Paralegal

Vice-Chairman O'Brien called the meeting to order at 9:45 a.m. and noted that there was a quorum.

Vice-Chairman O'Brien requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited.

Vice-Chairman O'Brien congratulated Ms. Vo-Le and the accounting department for its achievement of The FY'07 GFOA CAFR Award.

1. Approval of Minutes of the April 17, 2008 Finance Committee Meeting

Vice-Chairman O'Brien requested a motion to accept the minutes of the April 17, 2008, Finance Committee meeting. The motion was made by Director Karanian and seconded by Vice-Chairman O'Brien. Chairman Pace made a motion to table the motion to accept the minutes until the arrival of Committee members who were present at the last meeting. The motion to table was accepted by Director Karanian and Vice-Chairman O'Brien.

2. Review and Recommend for Board Approval MDC Mid-Conn Operating Budget

Vice-Chairman O'Brien requested a motion regarding the above-captioned matter. Director Savitsky made the following motion:

WHEREAS, The Metropolitan District Commission prepared a fiscal year 2009 annual operating budget for the Mid-Connecticut Project (the MDCMC budget) and submitted such operating budget to the Authority for review on February 01, 2008; and

WHEREAS, upon its review, the Authority determined that the MDCMC Administration Budget submitted by MDC inappropriately included \$3.0 million related to MDC employee separation costs following the expiration of the CRRA-MDC Agreement to, and the Authority has revised the MDC budget to delete such separation costs; and

WHEREAS, upon its review, and following discussion with MDC personnel, the Authority has reduced the MDCMC Waste Processing Facility Budget by a total of approximately \$1.1 million, reflecting reductions in overtime pay, contingency fund, maintenance costs for power-operated equipment, and indirect costs;

NOW, THEREFORE, it is

RESOLVED: That the Board hereby adopts the fiscal year 2009 Metropolitan District Commission Mid-Connecticut Annual Operating Budget in the form presented at this meeting, including the revisions noted herein.

Director Karanian seconded the motion.

Mr. Bolduc explained that MDC provides CRRA with their budget for review prior to CRRA's adoption. Mr. Bolduc explained the projected costs were included in the FY'09 Mid-CT tip fee. Mr. Bolduc explained that there were several changes to the MDC's FY'09 budget that were requested by the Finance Committee prior to seeking approval from the full Board.

Mr. Bolduc responded to the Committee's concern regarding the number included in the budget for MDC's anticipation of separation costs in 2012. Mr. Bolduc acknowledged the Finance Committee's recommendation to the full Board that the \$3 million per year cost be removed. He said there was another million dollars in the budget that the Finance Committee had previously requested be reduced. He said a portion of the million dollar reduction would be achieved by reducing maintenance costs through capital expenditures.

Mr. Tracey explained management planned a million dollar reduction in the operating budget using three separate reduction pieces. He explained the first and largest reduction item is the contingency fund of \$600,000. Mr. Tracey explained management did not find that number appropriate, and several detailed discussions were held on the contingency funds merit.

Mr. Tracey stated the second reduction item concerns the allocation of overtime funds at the plant. He explained management thought it would be reasonable to reduce that \$1.8 million number by \$100,000.

Mr. Tracey explained the third reduction item for about \$300,000 is from reduced maintenance costs for some of the power equipment and loaders. Mr. Tracey asked Mr. Romano to explain those reductions in greater detail.

Mr. Romano stated 4 loaders were purchased in the past year bringing the total number of loaders for the project up to 13. He said that MDC assumes in the budget that 2 additional loaders will be purchased to reduce maintenance costs. He explained to achieve the \$300,000 reduction he will be retiring 4 loaders which will have no negative impact on the plant as there are typically 8 to 9 loaders. Mr. Romano explained the retired loaders will be sold sometime in early July.

Mr. Romano said a second step in reducing maintenance costs is to postpone two specific dozer maintenance projects which do not need to occur in 2009. He said that action will save approximately \$24,000 in general maintenance. He said that he would like to go out to bid on one additional new loader in FY'09, at an approximate cost of \$270,000. He explained by purchasing a new loader he can retire an older unit saving up to \$20,000 on maintenance costs.

Mr. Romano said another cost-savings created by these reductions is in the capital expenditure for equipment. He explained by postponing the loader rebuilds roughly \$75,000 can be saved. Mr. Romano said an additional \$175,000 in engine and transmission work and equipment can also be achieved. He explained by postponing the 2 loader rebuilds there is an additional savings in indirect costs of about \$24,000 with an estimated overall savings of greater than \$314,000.

Vice-Chairman O'Brien asked what the life cycle through 2012 for the plant will be if these costs were postponed in FY'09. Mr. Romano said if we postpone until FY'10 the lifecycle does not change very much and would not incur additional funds in FY'10.

Vice-Chairman O'Brien asked that a tabulated table for the last three years illustrating the age, hours of maintenance, and cost of maintenance history for the loaders currently utilized by the project be provided for the full Board.

Mr. Tracey said by immediately retiring 4 loaders there is a \$270,000 savings in FY'09. Vice Chairman O'Brien said there would be no concurrent increase in overtime or operational expenditures.

Director Savitsky asked what communications had been exchanged between management and MDC. Mr. Romano stated he had spoken to Carlos Cruz, the head of central maintenance for MDC, regarding the reductions in capital expenditures. Mr. Tracey said MDC has refused to communicate with management regarding the operating budget.

Mr. Kirk explained that MDC's decision to cease communication was a direct result of management's decision to remove the \$3 million from their proposed budget. He stated MDC had explained until a proposal is developed they refuse to speak with management. The Committee discussed at length how best to approach communications with MDC regarding the budget.

Chairman Pace asked why the seminar and convention cost line items in MDC's budget are so high. Mr. Tracey said he believed these costs are partly attributed to the training required to manage the new control system installed by CRRRA. Mr. Romano explained some of the seminars are related to required fire prevention seminars which are important and necessary to the plant.

The Committee discussed the options concerning possible reductions in overall costs at length.

Chairman Pace asked if deliveries are down if overhead should be going down as well. Mr. Tracey stated the plant is still operating at capacity. He stated the plant is bringing in between 7-12% in spot deliveries per week. Mr. Romano said that each week (compared to week ago in the prior year) that the plant is running about 12-14% down in numbers, which equates to roughly a couple of thousand tons a week the plant attempts to make up with spot waste.

Chairman Pace asked if the reduction in deliveries is due to the economy or leakage. Mr. Kirk explained a good portion is due to the economy but that he also believes a substantial portion is due to diversion. He cited the town of South Windsor as an example, stating that all 70 member towns are down about 13% in deliveries with the exception of the town of South Windsor, which is down 40%.

Mr. Kirk stated management has difficulty enforcing their contracts because they are unable to gain access to the facilities where they suspect diversion is occurring. Mr. Kirk stated management has spoken with the commissioner of the CT DEP, Gina McCarthy regarding the diversion problem. Mr. Kirk explained that CRRA has asked the CT DEP inspectors to help CRRA gain access to facilities where suspected diversion is occurring. He explained the CT DEP has limited resources and was only recently able to send one enforcement agent.

Chairman Pace stated concerning MDC's budget that the Committee's obligation is to look at what they believe to be reasonable costs associated with running a business. Mr. Tracey stated that more information will need to be gathered internally as well as from MDC to provide background information on the proposed budget for the full Board.

Chairman Pace asked the Finance Committee's requests be put into a letter to MDC.

Vice-Chairman O'Brien said he would like to see all of the items which have been identified as questionable in tabular form. He asked that the MDC proposal be accompanied by the questions raised by the Committee and/or alternate proposals, as well as brief comments as to why the Committee questioned those particular items.

Amendment to the Motion

Director Savitsky stated that she was not prepared to vote on this item until the Committee's questions are resolved.

She proposed a friendly amendment to the motion that this item be forwarded to the Board with no action taken, pending the outcome of the various questions posed by the Committee.

The Committee also agreed that the word "inappropriately" will be struck from the second whereas.

The amendment to the motion was approved by roll call.

Approval of the Amended Motion

Vice-Chairman O'Brien requested that management's recommendation accompany the resolution for recommendation to the full Board.

The motion previously made and seconded was unanimously approved as amended and discussed by roll call.

3. Review and Recommend for Board Approval Disbursement of Authority Funds

Vice-Chairman O'Brien requested a motion regarding the above-captioned matter. Director Savitsky made the following motion:

RESOLVED: That the funds of the Authority deposited in Bank of America or otherwise invested (except Trustee-held funds) be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptance, or other instruments for the payment of money or upon directions for the wire transfer of money, when made, signed, drawn, accepted, or endorsed on behalf of the Authority, by any two of the following: Michael Pace, Tom Kirk, Jim Bolduc, Bettina Bronisz or Nhan Vo-Le provided, however, wire transfers between Authority bank accounts or otherwise invested Authority funds (including to and from Trustee-held funds) shall require instructions from one of the foregoing.

FURTHER RESOLVED: That Trustee-held funds be subject to withdrawal or charge at an time and from time to time upon requisitions/instructions, checks, notes, drafts, bills of exchange, acceptance or other instruments for payment of money or upon directions for the wire of transfer money, when made, signed, drawn, accepted, or endorsed on behalf of the Authority, by any one of the above individuals.

Mr. Bolduc explained with the departure of Mr. Constable this resolution is necessary.

The motion previously made and seconded by Director Karanian was unanimously approved by roll call.

4. Approval of Minutes of the April 17, 2008, Finance Committee Meeting

Vice-Chairman O'Brien requested a motion to accept the minutes of the April 17, 2008, Finance Committee meeting. The motion was made by Director Karanian and seconded by Vice-Chairman O'Brien.

The minutes were approved by roll call. Director Savitsky and Director Karanian abstained as they were not present.

Vice-Chairman O'Brien explained the May 29, 2008, Board meeting will require approval of a corrected portion of the minutes, as the wrong resolution was inadvertently placed in the March 27, 2008, Board meeting minutes. Vice Chairman O'Brien also requested that a reference be included in the minutes regarding the accounting department's CAFR award on the Board agenda.

Vice-Chairman O'Brien stated Chairman Pace had directed Mr. Nonnenmacher and Mr. Bzdyra to provide the project member towns with communications detailing the FY'07 GFOA CAFR Award received by CRRA's Accounting Department.

5. Executive Session

Vice-Chairman O'Brien requested a motion to enter into Executive Session to discuss pending litigation. The motion was made by Director Martland and seconded by Director Lauretti. The motion previously made and seconded was approved unanimously by roll call. Vice-Chairman O'Brien requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Jim Bolduc

The Executive Session commenced at 10:55 a.m. and concluded at 11:47 a.m.

The meeting reconvened at 11:47 a.m. and Vice-Chairman O'Brien noted that no votes were taken during Executive Session.

6. Adjournment

Vice-Chairman O'Brien requested a motion to adjourn the meeting. The motion made by Director Martland and seconded by Director Lauretti was passed unanimously.

The meeting was adjourned at 11:48 a.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal