

**Finance Committee
Dec. 9, 2010, Regular Meeting
Draft Minutes**

Members Present: Chairman Michael Pace
Committee Chairman Ted Martland
Louis Auletta (present by telephone)
Timothy Griswold
Mark Lauretti (present beginning 9:50 a.m.)
Ron Van Winkle

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Jeff Duvall, Director of Budgets and Forecasting
Bettina Ferguson, Director of Finance
Tina Mateo, Senior Financial Analyst
Nhan Vo-Le, Director of Accounting Services
Moirra Benacquista, Secretary to the Board/Paralegal

Also Present: Jim Sandler, Esq. of Sandler & Mara.

1. Approval of Minutes of the Nov. 11, 2010, Finance Committee Meeting

Committee Chairman Martland requested a motion to accept the minutes of the Nov. 11, 2010, Finance Committee meeting.

The motion to approve the minutes was made by Director Van Winkle and seconded by Director Griswold.

The minutes were approved as amended unanimously by roll call.

2. Review and Recommend for Board Approval – Authority Operating & Capital Budgets

Committee Chairman Martland requested a motion regarding the above-captioned item. Director Van Winkle made the following motion:

RESOLVED: That the fiscal year 2012 Authority Operating and Capital Budgets be proposed substantially in the form as presented and discussed at this meeting.

The motion was seconded by Chairman Pace.

Mr. Bolduc said this resolution details the CRRA operating and capital budget. He explained there had been a series of other budgets for the specific Wallingford and Bridgeport Projects which were replaced by divisions as those projects expired. Mr. Bolduc said the Southwest Division and the Property Division will be brought to the Finance Committee for approval in the coming months.

Mr. Bolduc said the CRRA budget was calculated at \$4.3 million for FY'12 which is then reallocated into those various divisions and projects based on the allocation method. Mr. Bolduc said the allocation methodology is a combination of a number of factors including revenues, assets, time per project and contractual arrangements.

Committee Chairman Martland asked if there was a surplus in FY'10 if those funds are allocated when the Projects budgets are approved. Mr. Bolduc replied yes.

Mr. Bolduc said the formula management uses to establish the budget has changed slightly as CRRA is going through a transition. He explained the model uses a weighted average to recognize different functions. Mr. Bolduc said management reviewed the CRRA employees' work to ensure that time spent on a specific project is appropriately allocated. He said the allocation method has been changed and management direct assigns as much as possible to make the budgets as reflective as possible.

Director Van Winkle asked how management made the determinations of how to allocate dollars to each project. Mr. Kirk said historically time sheets were used. Mr. Bolduc said time sheets are still used however; the difficulty in using time sheets was that they did not recognize changes during the year. He said for example three years ago a lot of time was spent on the Bridgeport Project and that time was drastically reduced the following year. Mr. Bolduc said the current allocation method is a combination of assets, revenues, employee's time, tonnage, and recycling activities.

Director Van Winkle said it would be interesting for the Committee to understand the methodology and the factors involved. The Committee agreed. Mr. Bolduc said he would provide that information to the full Board.

Director Griswold said that year to year if an employee's position within the budget changes a year to year comparison will be difficult. Mr. Bolduc explained that management requests CRRA supervisors and department heads provide a spreadsheet with their respective team's time allocations and are asked to note any expected changes in project time for the coming year. He said management anticipates those changes as best they can. Mr. Kirk said the method has evolved into a more accurate way of assigning costs in a timely manner.

Director Griswold asked if CRRA employees can add on to the existing 401k program. Mr. Bolduc replied that there is a federally allowed catch up provision for those employees over a certain age and an optional 457b which is run through the State of Connecticut is also offered to employees. Director Griswold asked if the benefit administration is what is paid to third parties. Mr. Bolduc said that was correct.

Chairman Pace asked if natural retirements had been anticipated by management. Mr. Bolduc said about four years ago CRRA had over 60 employees however when the Bridgeport Project expired certain functional areas were no longer needed and the compliment was reduced. He said there were some retiree positions which were not filled and some specific areas where the compliment was reduced.

Mr. Bolduc said when the Wallingford Project transitioned there were additional reductions in positions bringing employees in the current budget down to 53 employees a

roughly 12% overall reduction in employees. Chairman Pace asked that this be noted for the record. He said CRRA has made a concerted effort to perform this reduction by attrition and providing alternative career paths. Mr. Bolduc agreed. He said management is sensitive to the fact that CRRA does not have a defined benefit plan and does not provide medical benefits in retirement. He noted as CRRA is not a large organization taking on more duties gives employees an opportunity for career progression by taking on additional responsibilities.

Director Griswold asked why there had been a big reduction in advertising and legal notice costs. Mr. Duvall explained that management had changed its approach in advertising by referring interested parties to CRRA's website for further information versus publishing lengthy complete full notices and job descriptions. Mr. Bolduc said this reduction was done at the suggestion of former Board member Director Savitsky. Mr. Duvall noted it reduced the advertising and legal notice costs by more than half. Committee Chairman Martland asked if this change in method is still compliant with the governing regulations on this matter. Mr. Bolduc replied yes.

Director Griswold asked for further details on the temporary agency line item. Mr. Bolduc said it includes compensation and the commission for the agency and is not due to only one person as there are several temporary employees at CRRA from time to time. Mr. Kirk said management did recently take on a temporary employee full time. Mr. Bolduc said CRRA has a stable of temporary agencies to try and secure the lowest costs possible for a specific position.

Director Griswold asked if the engineering and technology consulting services item should be tied more to a specific task. Mr. Bolduc replied the specific tasks will come to the Policies & Procurement Committee as they arise. He said at this point they are presented as an estimate in the budget and not a commitment to spend as they follow the procurement proceedings. Mr. Bolduc said the increase in those costs results from plans for a redesigning the CRRA website and possible accounting and IT system costs.

Director Lauretti said the budget is relatively uneventful which is good. Director Van Winkle said he found the presentation to be well done.

The motion was approved unanimously by roll call.

3. Review and Recommend for Board Approval – Bridgeport Review & Distribution

Committee Chairman Martland requested a motion regarding the above-captioned item. Director Lauretti made the following motion:

WHEREAS, the Bridgeport Project officially ended on December 31, 2008; and

WHEREAS, on July 23, 2009, the Connecticut Resources Recovery Authority's (the "Authority") Board of Directors (the "Board") reviewed and approved the consolidation of various activities and assets and accounts relating to the Bridgeport Project in order to set funds aside prior to a distribution of Bridgeport Project-related funds to the towns that were members of the former Bridgeport Project; and

WHEREAS, on September 24, 2009 the Board reviewed and approved the transfer of remaining assets and accounts that are necessary for the continuation of other activities of the former Bridgeport Project in order to avoid comingling with other Bridgeport Project funds and arrived at a dollar amount to be distributed; and

WHEREAS, the former President of the Bridgeport Solid Waste Advisory Board approved the methodology of distribution of funds to the former Bridgeport Project towns, which will be the pro rata of each town’s weighted average delivery and minimum commitment to the Bridgeport Project during the immediate past five years; and

WHEREAS, on October 29, 2009, the Board approved the first distribution of Bridgeport Project-related funds to the towns that were member of the former Bridgeport Project; and

WHEREAS, the installation of the groundwater well will not occur until spring 2011 and funds therefore should be transferred to the Waterbury Landfill Post Closure Reserve; and

WHEREAS, there are currently sufficient funds in the Bridgeport Post Project Reserve to make another distribution of funds.

NOW, THEREFORE, it is

RESOLVED: that the amount of \$967,528.78 be distributed to the 18 former Bridgeport Project towns in the percentage values and dollar amounts as follows:

<u>Municipality:</u>	<u>Percentage:</u>	<u>Distribution:</u>
Bethany	0.37%	\$ 3,579.86
Bridgeport	17.21%	\$ 166,511.70
Darien	2.59%	\$ 25,059.00
East Haven	3.48%	\$ 33,670.00
Easton	0.73%	\$ 7,062.96
Fairfield	11.32%	\$ 109,524.26
Greenwich	13.15%	\$ 127,230.03
Milford	10.08%	\$ 97,526.90
Monroe	2.84%	\$ 27,477.82
Norwalk	11.77%	\$ 113,878.14
Orange	1.51%	\$ 14,609.68
Shelton	4.69%	\$ 45,377.10
Stratford	6.42%	\$ 62,115.35
Trumbull	4.84%	\$ 46,828.39
Weston	1.28%	\$ 12,384.37
Westport	4.66%	\$ 45,086.84
Wilton	2.22%	\$ 21,479.14
Woodbridge	0.84%	\$ 8,127.24
Total	100.00 %	\$ 967,528.78

FURTHER RESOLVED: that \$5,000.00 be transferred from the Bridgeport Post Project Reserve to the Waterbury Landfill Post Closure Reserve.

The motion was seconded by Chairman Pace.

Mr. Bolduc said as the Bridgeport Project comes to fruition as a project concept there are housekeeping items that need to be done before the final assets and liabilities are resolved. He said the last page behind Tab C provides a summary report of the outstanding items. Mr. Bolduc said over the years this list has been reduced as many items have been completed. He said periodically management returns to the Finance Committee and then the full Board to distribute any excess funds back to the towns as these items are completed. Mr. Bolduc said the list details the item, states what the exposure was in terms of dollars for these expenses and receivables, what it takes to resolve them, the current status, timeframe, and any cash distributions.

Mr. Bolduc said based on this summary management is recommending a little over \$967,000 go back to the towns for distribution. He said there are still a few larger items which are still out there. Mr. Bolduc said the Stratford recycling capital reserve is not really a Bridgeport Project item and concerns the SWEROC Committee. He said CRRA and the SWEROC lawyers have not made a determination yet on that reserve and once that is determined further action can be taken.

Mr. Bolduc said the distribution method is the same method that was previously agreed upon by the SWAB towns. Committee Chairman Martland asked which town had a distribution concerning the transfer station. Mr. Kirk replied Milford CT. Committee Chairman Martland asked when the \$174,000 post closure would go to Waterbury. Mr. Bolduc said that landfill trust will be held until 2040.

Director Lauretti said several months ago there was a discussion concerning the sale of property associated with the landfill. He asked if the funds from that property sale will also be refunded and when that will occur. Mr. Kirk replied that he was correct. He said management had two different commercial real estate brokers walk the property and a make recommendation. Mr. Kirk said both brokers recommended not selling the property in the current market as the value in the residential market is currently depressed and CRRA would not get the full value of the property.

Chairman Pace asked if Waterbury was interested in the property. Mr. Kirk replied no. Mr. Kirk said that management expected the property would be worth around \$250,000 in a healthier market. Director Lauretti asked if he was correct in stating that CRRA turned down a \$250,000 offer. Mr. Kirk said there had been a \$250,000 offer after the property was appraised at over \$400,000 and the CRRA Board was not comfortable with selling below the appraisal price. Director Lauretti said he does not agree with the supposed value of this as a residential property when it is in an industrial area with high power line and has a landfill and a construction operation bordering both sides.

Chairman Pace asked that a press release go out to each of the towns receiving a distribution to be viewed in their local papers. Committee Chairman Martland agreed that was an excellent suggestion.

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

4. Informational Section

Mr. Bolduc said that attachment seven in the Informational Section concerns the SCRRRA refinancing. He said the official statement is available if the Committee members would like to review it. Mr. Bolduc thanked Ms. Ferguson for her work on this project. He said refinancing of roughly \$30 million was added to by SCRRRA by an additional \$3.5 million. Mr. Bolduc there were some delays which were caused by Covanta and delays by the State as they were putting out an official statement to reflect unfunded liabilities for the State pension and employees and retirement plan. He said because of the SCRF backing management was in a holding pattern until the State issued their official statement and was able to go to market last week.

Mr. Bolduc said the attachment documents the participants and costs as many people were involved in this process. He said there was roughly five years of outstanding debt at roughly a 5% yield which went off successfully and was actually oversubscribed with a small bidding war on the first 2011 bonds. He said the new overall yield went down to 1.9-2% and SCRRRA saved almost \$2.5 million on an NPV basis. Mr. Bolduc explained the \$3.5 equity investment facilitated a \$2.5 million savings over five years. He said the first year premium was secured by Fidelity for .45% which is a remarkable bid.

Mr. Bolduc said there are two open items on the time table including a pre-closing next Tuesday in Bridgeport and the actual closing which will be done at Pullman & Comley on Dec. 22, 2010. He said this was very successful refinancing and the SCRRRA Board was very pleased.

Ms. Ferguson said management had first approached the Finance Committee in May with a fast track approach to this process with the goal of closing in August. She said the fast track approach involved using bond counsel as disclosure council. Ms. Ferguson said because of the delays this issue was dragged out until December but ironically the original proposed rate was actually much lower as a result of the delay as the markets moved with the deal. She explained management had originally anticipated saving \$1.6 million and actually saved \$2.5 million.

Chairman Pace asked what the ratio of savings to cost is in this deal. Ms. Ferguson said the \$2.5 million present value includes all of the costs. Committee Chairman Martland said that management did exceedingly well in this deal and should get some press for it.

Director Van Winkle asked if the bond counsel is put out to bid. Mr. Bolduc replied that bond counsel is put out to bid every three years. He said currently CRRA has two bond counsels Sidley Austin in New York, and Pullman & Comely locally. Mr. Ferguson said Pullman's local connections and excellent relationships in State were an asset as CRRA had not gone out for bonds in ten years and required Treasurer approval and the SCRF designation. She said Pullman & Comley were a real aide in getting the whole transaction approved by the Treasurer.

EXECUTIVE SESSION

Committee Chairman Martland requested a motion to enter into Executive Session to discuss personnel matters, pending litigation and pending RFP responses. The motion was made by Chairman Pace and seconded by Director Van Winkle. The motion previously made and seconded was approved unanimously by roll call. Committee Chairman Martland 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 10:30 a.m. and concluded at 11:20 a.m.

The meeting was reconvened at 11:21 a.m., the door was opened, and the Board secretary and all members of the public (of which there were none) were invited back in for the continuation of public session.

ADJOURNMENT

Committee Chairman Martland requested a motion to adjourn the meeting. The motion made by Director Van Winkle and seconded by Director Griswold was passed unanimously.

The meeting was adjourned at 11:21 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal