

Finance Committee
March 18, 2010, Regular Meeting

Draft Minutes

Members Present: Committee Chairperson Savitsky
Vice-Chairman O'Brien
Alan Desmarais (present until 10:42 a.m.)
Mark Lauretti (present beginning 9:57 a.m.)
Ted Martland

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Jeff Duvall, Manager of Budgets and Forecasting
Bettina Ferguson, Director of Finance
Lynn Martin, Risk Manager
Paul Nonnenmacher, Director of Public Affairs
Rich Quelle, Senior Engineer
Nhan Vo-Le, Director of Accounting Services
Moira Kenney, Secretary to the Board/Paralegal

Also present: Willard G. Reynolds and Jeff Roude of Bollam Sheedy & Torani, Lisa Janney and Michele Eby of Aon Risk Services.

Committee Chairperson Savitsky called the meeting to order at 9:33 a.m. and noted that there was a quorum.

Committee Chairperson Savitsky requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited. Noting that there were no members of the public present, Committee Chairperson Savitsky stated that the regular meeting would commence.

1. Approval of Minutes of the Feb. 25, 2010, Finance Committee Meeting

Committee Chairperson Savitsky requested a motion to accept the minutes of the Feb. 25, 2010, Finance Committee meeting. The motion was made by Director Martland and seconded by Vice-Chairman O'Brien.

The minutes were approved as amended by roll call.

EXECUTIVE SESSION

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

Tom Kirk
Jim Bolduc
Nhan Vo-Le
Willard G. Reynolds
Jeff Roude

The Executive Session commenced at 9:37 a.m. and concluded at 10:42 a.m.

The meeting was reconvened at 10:42 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.

2. Review and Recommend for Board Approval – Mid-Conn Fixed Asset Write-Off

This item was deferred until the next Finance Committee meeting.

3. Review and Recommend for Board Approval – Insurance Renewals - Property

Committee Chairperson Savitsky requested a motion regarding the above-captioned item. Vice-Chairman O'Brien made the following motion:

RESOLVED: That CRRA's \$365 million All Risk Property insurance be purchased for a premium of \$620,000 (including terrorism) from the following five (5) insurers with their quota shares as indicated: Zurich 32.5%; Starr Tech 32.5%; Swiss Re 20%; Arch 10% and Commonwealth 5%; and

FURTHER RESOLVED: That CRRA obtain loss prevention engineering services from XL GAPS for a cost of \$16,295 for the period 4/1/10 – 4/1/11.

The motion was seconded by Director Lauretti.

Committee Chairperson Savitsky said that a thorough and detailed write-up was provided by Ms. Martin.

Director Martland asked how the percentages were divided. Ms. Eby said that the property percentages are based on the underwriter's willingness to provide capacity. She said in term of meeting capacity, various markets are approached. She said that the four presented in the resolution offered as much coverage as they could based on CRRA's occupancy and the aggregation they have within their own underwriting. Ms. Martin said that the companies name the percentages they are comfortable handling.

Vice-Chairman O'Brien recalled that four years ago there were serious concerns that CRRA would have to move to self-insurance.

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

4. Review and Recommend for Board Approval – Insurance Renewals – Public Officials

Committee Chairperson Savitsky requested a motion regarding the above-captioned item.

RESOLVED: That CRRA’s Public Officials and Employment Practices Liability insurance be purchased from ACE with a \$10,000,000 limit and up to \$10,000,000 in defense costs and expenses outside the limit, and a \$150,000 self insured retention for the period 4/1/10 – 4/1/11 for a premium of \$144,796, as discussed at this meeting.

The motion was made by Vice-Chairman O’Brien and seconded by Director Martland.

Ms. Janney said that the various markets which were approached are outlined in the package. She said that the marketplace is currently softening and continuing to soften and as a result this year there were a few additional markets interested in offering coverage. Ms. Janney said that Allied World Assurance put up a competitive quote and Ironshore Insurance put up a competitive quote. She said however that neither company was able to offer the additional \$10 million in defense costs which resulted in their limits not being as high as the incumbent.

Ms. Janney said that the incumbent also reduced the deductible from \$250,000 to \$150,000 as a result of capacity expanding in the market place. She said that all of the carriers in the market are A-rated and there are no non-admitted markets on the program.

Vice-Chairman O’Brien said that ACE is not the low bidder, however defense costs are over and above the limit of the contract and its deductible is the same. He said he supports the recommendation.

Mr. Kirk asked whether this is a claims-made policy. Ms. Martin replied yes. Mr. Kirk asked whether Board members are covered after leaving the Board. Ms. Janney replied yes. She said that all former officers and employees are covered.

Director Lauretti said that it is his understanding ACE provides better coverage and the dollar amount is relatively close. The Committee agreed. Ms. Janney said the policy from ACE is superior to the other markets in several ways.

Mr. Bolduc said that when Aon was engaged the Board decided to make the third year a CRRA option. Ms. Martin said the current contract was for two years with the option for a third year at the same price solely up to CRRA. Ms. Martin said that management decided on this option and the new AON contract was through December 2011. She said the current contract would be issued in June 2011 for services beginning January 2012.

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

5. Review and Recommend for Board Approval Resolution Regarding the Southwest IPC Budget

Committee Chairperson Savitsky requested a motion regarding the above-captioned item. The motion was made by Vice-Chairman O’Brien and seconded by Director Martland.

WHEREAS: Southwest Connecticut Regional Operating Committee (SWEROC) did agreed to a two year extension with Fairfield County Recycling (FCR), the operator of the SouthWest IPC ensuring deliveries of acceptable recyclables through June 30, 2011; and

WHEREAS: The Connecticut Resources Recovery Authority (The Authority) has the obligation under the Amended and Restated Agreement with SWEROC dated June 27, 1991 to propose an annual budget and present it to SWEROC for review and adoption; and

WHEREAS: SWEROC and The Authority are currently negotiating with FCR to ratify a new contract which will change the method of acceptable recyclables' delivery and extend the agreement with FCR for an additional ten year term; and

WHEREAS: The Authority has created a budget with the assumption that SWEROC will continue to deliver acceptable recyclables under the agreement that ends on June 30, 2011 with the understanding that a new agreement may be ratified before the start of or during Fiscal Year 2011 which may change the Proposed Budget significantly requiring a new or revised budget to be created and submitted for approval.

NOW, THEREFORE, it is

RESOLVED: That the Fiscal Year 2011 Southwest IPC budget totaling \$2,196,000 be accepted for proposal to the SWEROC Board as presented at this meeting including the local administration budget for SWEROC.

Mr. Bolduc said that management had inadvertently supplied an earlier version of the budget in the package and has since distributed a corrected version to the Committee.

Vice-Chairman O'Brien clarified the motion was on the correct version of the budget which was distributed.

Mr. Duvall said that CRRA's responsibility in the development of the Southwest IPC region is to make a proposal to the SWEROC Board, which then approves the budget. He said that the project is looking at changing the way it does business by possibly moving to single-stream recycling. Mr. Duvall said that management felt it necessary that this budget be presented at the same time as the Garbage Museum budget. He explained the two budgets have to come together as the facility has a certain amount of costs that must be split between the two entities.

Mr. Duvall said that he left the ability for the SWEROC group to alter the budget if necessary if it comes up with a significant change in the way it does business. He said management assumed the project will utilize dual-stream until at least the beginning of FY'11 and built the costs around that system. Mr. Duvall said the write-up in the package and what was handed out are the same, however the numbers in the package were an old version.

Committee Chairperson Savitsky asked how the savings achieved through reductions in insurance costs reaches the budgets. Mr. Duvall said that the insurance is broken out on a

percentage. He said that Aon doesn't have precise numbers for each category but a certain asset type will get this much insurance dollars allocated to it. Committee Chairperson Savitsky asked whether those projected savings are within this budget. Mr. Duvall replied yes. He said management estimated the whole facility will need about \$17,000 worth of insurance premiums with \$15,000 allocated to the IPC and \$2,000 allocated to the Garbage Museum.

Committee Chairperson Savitsky asked where Director Edwards stood on this item. Mr. Kirk said that he has been involved in this process and reviewed the budget before it came to the Finance Committee. Mr. Duvall said that it was at Director Edwards' direction that the last "whereas" was added.

Vice-Chairman O'Brien asked what happens if the revenue sharing from FCR comes in higher than \$42.00. Mr. Kirk said that would lead to a surplus for SWEROC.

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

6. Review and Recommend for Board Approval Resolution Regarding Stratford Garbage Museum

Committee Chairperson Savitsky requested a motion on the above referenced item. Vice-Chairman O'Brien made the motion.

WHEREAS: The Garbage Museum anticipates receiving grants from FCR, LLC and the Institute of Museum and Library Sciences in the amount of \$2,500 and \$43,000, respectively and \$96,000 from other fundraising efforts;

WHEREAS: The Garbage Museum is anticipating a cash fund balance of approximately \$70,000 from fiscal year 2010; therefore be it

RESOLVED: That the fiscal year 2011 Garbage Museum Operating budget totaling \$264,000 be adopted as presented at this meeting.

The motion was seconded by Director Martland.

Mr. Duvall said that at the request of Director Desmarais management has included a recommendation on the Garbage Museum.

Vice-Chairman O'Brien asked about plans in case fundraising does not succeed and this budget can not be met. Mr. Kirk said that the museum is on a pay as-you-go budget and if money runs out there will be no spending. He said internally management is comfortable that the museum will be funded through the next two quarters.

Vice-Chairman O'Brien said he would like to see a quarterly review of the museum status in order to provide an opportunity for the Board to take any necessary action.

Mr. Nonnenmacher said that he would like to clarify the situation. He said Ms. Ferguson prepares a source-and-use-of-funds report each month. Mr. Nonnenmacher said that he has been

developing a plan for closure with a detailed timetable listing any tasks that may need to be completed along with any necessary costs.

Mr. Nonnenmacher said yesterday he received a call from DPUC concerning the museums' application for a grant from the Energy Conservation Management Board. He said the request was written into a draft decision which was approved and as a result the museum will receive about \$137,000, a portion of which will be used for new exhibits. Mr. Nonnenmacher explained as required by the grant these upgrades to the exhibits concern energy conservation.

Mr. Nonnenmacher said that there is a strong link between recycling globally and energy conservation globally. He said the museum is going to reinforce parts of its curriculum which address energy conservation and expand it under the direction of ECMB. Mr. Nonnenmacher said exhibits will be upgraded and a new teaching tool which talks about the relationship between recycling and energy conservation will be added. He said that the grant also pays for \$75,000 of the actual education programs. Mr. Nonnenmacher said the \$96,000 shortage in the budget is now closer to \$21,000.

Committee Chairperson Savitsky asked whether this is a renewable grant. Mr. Nonnenmacher replied no, however the museum can apply again.

Director Lauretti asked when the museum anticipates being notified that this grant money is final. He suggested the specifics be finalized down prior to the full Board meeting. Mr. Nonnenmacher said that the next step for finalization is for him and Ms. Montanari to meet with the Energy Conservation Management Board. He said that grant was adopted and was contained in the final decision in a docket the day prior to set aside \$137,000.

Mr. Bolduc said that this budget, as with the SouthWest IPC is coming to the Finance Committee because management felt that while there is no tip fee involved money will be spent and because purchase orders will be submitted a budget is required.

Mr. Bolduc said there is about six or seven months of cash on hand for the museum funding. He suggested including the cash flow in a monthly document with a projection. Mr. Bolduc said if there is a point where it starts to look like there is an issue action can be taken at that point. Mr. Bolduc said that this budget locks into the IPC budget and they should be presented and approved together.

Director Lauretti asked when this budget has to be approved. Mr. Bolduc replied by June 30, 2010. He said in fairness to the educators there are scheduling issues which must be considered. Director Lauretti suggested the budget be approved with the understanding that with potential new grants and donations the budget may be subject to some changes.

Committee Chairperson Savitsky said that Mr. Nonnenmacher and Ms. Montanari did an excellent job writing the grant and noted that these types of grants are exactly what the museum needs to offset costs. She said it will also be helpful when approaching other foundations for funds.

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

7. Review and Recommend for Board Approval Resolution Regarding Property Division Budget

Committee Chairperson Savitsky requested a motion on the above referenced item. Vice-Chairman O'Brien made the motion.

RESOLVED: That the fiscal year 2011 Property Division Operating budget totaling \$3,380,000 be adopted as presented at this meeting.

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the following Property Division Reserves, as appropriate, to pay for costs and fees incurred during fiscal year 2011 in accordance with the operating budget adopted pursuant hereto, as presented and discussed at this meeting, provided that all purchases of goods and services shall comply with the requirements of the Authority's Procurement Policy:

Shelton Landfill Post Closure Reserve
Waterbury Landfill Post Closure Reserve
Wallingford Landfill Post Closure Reserve

The motion was seconded by Director Lauretti.

Mr. Bolduc said that CRRA has 25,000 tons of capacity for the trash at the Wallingford plant which can be brought in at \$55.00 a ton. He said that there is not a specific tonnage being brought in so management shows the availability of the \$55.00 a ton to the Wallingford facility where also Covanta has to be paid for that same amount. Mr. Bolduc said if the tonnage is brought in at \$60.00 there will be a surplus but for now it is priced at capacity for \$55.00 a ton. Director Martland asked what it has to do with post-landfill. Mr. Bolduc said as the Projects are expiring management has collected residual activities into the property division. He said it is likely that some will be realigned into a landfill post-closure division.

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

INFORMATIONAL SECTION

Committee Chairperson Savitsky noted that the Informational section of the package was thoroughly reviewed by the Committee.

EXECUTIVE SESSION

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

Tom Kirk
Jim Bolduc

Laurie Hunt

The Executive Session commenced at 11:26 a.m. and concluded at 11:40 a.m.

The meeting was reconvened at 11:40 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 Chairperson Savitsky requested a motion to adjourn the meeting. The motion made by Vice-Chairman O'Brien and seconded by Director Martland was passed unanimously.

The meeting was adjourned at 11:40 a.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal