

**Finance Committee
Oct. 20, 2011 Regular Meeting
Draft Minutes**

Members Present: Committee Chairman Martland
 Louis J. Auletta, Jr. (present by telephone)
 Timothy Griswold (present by telephone)
 Scott Slifka (present by telephone)

CRRA Staff Present: Tom Kirk, President
 Jim Bolduc, Chief Financial Officer
 Jeff Duvall, Director of Budgets and Forecasting
 Bettina Ferguson, Director of Finance
 Tom Gaffey, Director of Recycling and Enforcement
 Lynn Martin, Risk Manager
 Nhan Vo-Le, Director of Accounting Services
 Moirra Benacquista, Secretary to the Board/Paralegal

Also Present: Jeff Roude of Bollam Sheedy & Torani, Jim Sandler, Esq. of Sandler & Mara.

Chairman Martland called the meeting to order at 9:35 a.m. He said there were no members of the public who wished to comment and proceeded with the agenda.

1. Approval of the Minutes of the Sept. 22, 2011, Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the Sept. 22, 2011, Finance Committee meeting. The motion to approve the minutes was made by Director Griswold and seconded by Director Auletta.

The minutes were approved by roll call. Director Slifka abstained as he was not present at the meeting.

2. Review and Recommend for Board Approval – Insurance Consultant and Broker Services

Chairman Martland requested a motion regarding the above-captioned item. Director Griswold made the following motion which was seconded by Director Auletta:

RESOLVED: That the President of CRRA is hereby authorized to execute the Insurance Consulting and Broker Services Agreement with Aon Risk Services for the period January 1, 2012 through December 31, 2014 for a total fixed fee of \$431,943, as presented and discussed at this meeting.

Mr. Bolduc said Ms. Martin, Risk Manager at CRRA was present to address any questions the Committee may have. He said CRRA must go through an RFP process every three years to select a firm for its insurance consultant and broker services. Mr. Bolduc said AON Risk

Services has been CRRA's insurance consultant and broker for the past several years. He said the RFP was noticed properly and four firm's responded; the incumbent, Aon Risk Services; Marsh, CRRA's previous consultant; Insurance Connections, LLC; and Lockton Companies of Connecticut.

Mr. Bolduc explained the responses are detailed in the write-up and were reviewed by an internal committee consisting of himself, Ms. Martin and Mr. Womack. He said a summary of the process and scoring is contained in the Board package along with the Committee's final recommendation. Mr. Bolduc said after reviewing the submittals the internal committee narrowed down the selection to Marsh and Aon, both of which have handled CRRA's business in the past.

Mr. Bolduc said Insurance Connections, LLC is a small two person company which received low ratings due to lack of experience in CRRA's industry and business. He said in addition its pricing was the highest of all the firms. Mr. Bolduc said although Lockton was the low bidder, the Committee did not believe it had the necessary experience. He explained that the industry is broken into two groups, the hauler/collection part of the business (which CRRA is not involved in) and the disposal part, which consists of landfills and waste to energy plants such as those CRRA has as part of its portfolio. Mr. Bolduc said CRRA deals with disposal options and manages landfills and is very sensitive to environmental issues. He said the overall exposure to the waste processing side of the facility (RDF and WPF) as well as the large exposure at the PBF (the power block facility) is akin to a large utility and is a different type of business. Mr. Bolduc said Lockton did not appear to have any experience on the disposal side and had potential conflicts with existing CRRA vendors.

Mr. Bolduc said Marsh is a large company, as is AON, and noted both companies have historical knowledge of waste to energy and power block facilities and came in with similar pricing. He said there was a potential conflict with Marsh and some internal concerns due to Marsh's abrupt strategic change in the past. Mr. Bolduc said Marsh was CRRA's broker for many years and several years ago, due to some strategic internal policy decisions, Marsh determined it was no longer interested in serving as broker for CRRA's type of industry. He said this decision left CRRA without a broker/consultant at a time when CRRA was faced with some significant exposures in a very hard market. Mr. Bolduc said at that time AON stepped in and got an insurance carrier interested in CRRA's business. He said CRRA was very close to having to self-insure. He said over the years AON has done a great job for CRRA in understanding its business and marketing it well.

Mr. Bolduc said this is the prelude to the marketing of the actual insurance which totals about \$800,000 in premiums annually. He said AON was able to hold down the premiums on some of the insurance policies last year. Mr. Bolduc said the internal committee recommends AON as they are still doing a good job and their costs over the next three years are in line with Marsh.

Ms. Martin noted AON has lowered their three year quote from their existing arrangement.

Chairman Martland noted although he is typically supportive of the low bidder, in this case he supports the internal committee's recommendation because of the expertise of AON. Director Auletta said he was in agreement with the internal committee's recommendation.

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

COMMITTEE MEETING WITH AUDITORS

Mr. Bolduc said CRRA has adopted a practice common in private industry where after an audit is completed the Audit Committee (which in CRRA's case is a function performed by the Finance Committee) has an opportunity to meet with the outside auditors to discuss any matters without management present.

Mr. Bolduc said BST's draft management letter has also been distributed to the Committee and will be part of next months' Finance Committee package along with management's response.

EXECUTIVE SESSION

Chairman Martland requested a motion to enter into Executive Session to discuss personnel matters. The motion was made by Director Slifka and seconded by Director Auletta. The motion previously made and seconded was approved unanimously by roll call. Chairman Martland requested that the following people remain for the Executive Session, in addition to the Committee members:

Jeff Roude

The Executive Session commenced at 9:40 a.m. and concluded at 9:55 a.m.

The meeting was reconvened at 9:55 a.m., the door was opened, and the Board secretary and all members of the public were invited back in for the continuation of public session.

3. Review and Recommend for Board Approval Revised Property Division Budget

Chairman Martland requested a motion regarding the above-captioned item. Director Auletta made the following motion which was seconded by Director Griswold:

WHEREAS: the Connecticut Resources Recovery Authority (the "Authority") owns the facility at 1410 Honeyspot Road Extension (the "Facility") for which there are on-going operating expenses; and

WHEREAS: the Garbage Museum Budget for Fiscal Year 2012 Budget included funding for certain expenses of a portion the facility at 1410 Honeyspot Road Extension; and

WHEREAS: The Authority's Board of Directors (the "Board") tabled adoption of a Garbage Museum Budget for Fiscal Year 2012 at its May 19, 2011 and July 7, 2011 meetings; and

WHEREAS: the Authority's Board voted to close operations of the Garbage Museum on August 25, 2011; and

WHEREAS: On May 19, 2011 the Authority's Board adopted its Property Division Budget for Fiscal Year 2012 which identified the future need to change the budgeted expenditures should the Garbage Museum becomes non-operational; and

WHEREAS: the Garbage Museum has an account previously established at Bank of America, separate and apart from other Authority bank accounts, which has paid Garbage Museum operating expenses since July 1, 2009; and

WHEREAS: funds to pay final costs relating to the closure of the Garbage Museum are currently being made from the Garbage Museum bank account at Bank of America; and

WHEREAS: the funds in the Garbage Museum bank account at Bank of America are expected to be fully utilized before the calendar year ending 2011; and

WHEREAS: there will still be on-going expenses at the Facility that the Authority must pay.

NOW, THEREFORE, it is

RESOLVED: That funds within the Garbage Museum bank account at Bank of America be used to pay the remaining salaries of the Garbage Museum educators and closure costs until the account is exhausted; and

FURTHER RESOLVED: that any remaining Garbage Museum closure costs and Fiscal Year 2012 operating expenses will be reassigned to the Property Division; and

FURTHER RESOLVED: That the updated fiscal year 2012 Property Division Operating budget totaling \$1,813,000.00 be adopted as presented at this meeting.

Mr. Bolduc said although Garbage Museum in Stratford is being closed there is still maintenance on the facility which still needs to take place until a final decision is made as to what to do there. He said there are two components to the museum, the front half, which was the museum and offices, and the back half (previously a dual steam recycling operation) which is now operating the remaining SWEROC towns recycling as a transfer station.

Mr. Bolduc said the budget was put together in February and the operating costs associated with facility were reflected in the recycling budget for the South unit and the garbage museum. He said with the museum closing down, funds are still needed for costs such as security, heating and the continued use of the fire suppression water system. Mr. Bolduc said in

addition electricity, security and safety as well as insurance and property insurance are still required. He said management proposes revising the property division on pg. 3 to pay bills to maintain the facility. Mr. Bolduc said about \$20,000 will be moved out of the legal budget and \$60,000 will be moved out of consulting, as management has estimated the combined lump sum of \$80,000 will be needed for FY'12 bills. He said one footnote reflects as estimated \$3,000 for the PILOT in that \$80,000. Mr. Bolduc said the PILOT discussion with Stratford has not been finalized.

Chairman Martland asked what the PILOT was in the past. Mr. Bolduc said for the combined facilities the PILOT totaled \$120,000. He said although that final number is still in discussion a number needed to be placed in the budget.

Director Griswold asked how much money is in the Garbage Museum account. Mr. Bolduc said the cash flow is minimal and contains only the remaining pay roll payouts which total around \$45,000, and will be exhausted shortly.

Director Griswold asked what the costs to fund completion of closure of the museum will be. Mr. Bolduc replied that there are not a lot of costs for closure, but there are some outstanding issues as the exhibits remain in the museum. He said some of those exhibits are owned by SWEROC and have their own separate balance sheet, such as Trashasourous which is valued at approximately \$100,000. Mr. Bolduc said management will need an indemnification from SWEROC that it will remove and relocate the exhibits because as long as they remain in the museum CRRA will have to maintain insurance on those items. He said there will be utilities and staff to monitor the building from time to time. Mr. Bolduc said the back half will continue to operate as a recycling transfer station until June, and after that subject to the SWEROC towns' decision.

Chairman Martland said he is concerned about the empty building. Mr. Bolduc said CRRA will continue paying its security company, Sonitrol, to protect the building. He said eventually some determination of what to do with the building will have to be decided as the holding pattern will affect the value of the building over time.

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

3. Review - Reserve Analysis

Mr. Bolduc said every October management reviews the reserves as a prelude to the budget cycling process including SCRRA, the Property and Landfill Divisions, Mid-Conn, and the Museums and Recycling. He said management goes through a very detailed analysis of the reserves to determine the adequacy, whether or not adding money is needed, or if they are determined to be overfunded how to bring those dollars back to the tip fee calculation.

Mr. Bolduc said this document has been used for the last 6-7 years and Mr. Duvall, the Director of Budgets and Forecasting, goes through an exhaustive review with the Finance

Department, and the Operations and Environmental Department on a detailed basis. He said the format of each one is standard, and shows a corresponding STIF account.

Mr. Bolduc said for example pg. 3 shows the Shelton Landfill post-closure, and what the reserve is for. He said the designation is governed by accounting rules and noted there are two forms of cash, restricted and unrestricted. Mr. Bolduc said restricted reserves are those governed by a contract or legal agreement and no one within CRRA has control of them. He said unrestricted assets are broken down into 2 categories, Board designated, or unrestricted, most of which is working capital. Mr. Bolduc said the importance of Board designated unrestricted cash is that management can only use those accounts for what is designated by resolution and can only be moved with Board approval.

Mr. Bolduc said the assignment is broken down by Project (which identifies the purpose of the reserve), where the funding came from, the fund amount as of June 30, 2011, the term (what funds are used for), supporting documentation, and the recommendation, which is based on management's yearly review. He said for example until the Shelton landfill has completed its post-closure cycle; expenses like maintenance, filings with the CT DEEP, and operational costs come out of that reserve.

Mr. Bolduc said in some cases these reserves will carry forward, for example another reserve concerning the Shelton Landfill is based on a CT DEEP order. He said this money is restricted and governed by a CT DEEP order and CRRA has no control over it. Mr. Bolduc said in both the Shelton and Wallingford Landfill, due to a small cell of hazardous waste, the CT DEEP required some different accounting and requirements for the reserve.

Mr. Bolduc said the Mid-Conn reserve on pg. 33, for the Mid-CT Project closure, contains no money as of June 30, 2011. He said it was approved as part of the Mid-Conn budget in February of this year and is to be funded with \$750,000. Mr. Bolduc said similar to the Bridgeport Project there is a punch list of items which must occur as the project winds down in order to take care of bills, litigation, and insurance matters. He noted occasionally when a task is completed any excess funds are combined and checks are issued back to the towns. Mr. Bolduc said management cannot bill towns after 2012 so this reserve has been established, which will be monitored, and all unspent dollars will be returned to the towns.

Mr. Bolduc said management does not have any recommendations which it requires the Committee or the Board to act on at this point. He said management suspects the Committee will have some action to take on the reserves as part of the FY'13 budget is closed. Mr. Bolduc said this is the first look and at this point nothing has been identified.

Director Griswold asked if the \$153,000 in the Wallingford Landfill trust is sufficient for those kinds of hazardous waste issues. Mr. Bolduc replied that the amount is derived through discussion between the Environmental staff and management. He said it is a very small

hazardous waste cell which was identified when the Wallingford Landfill was closed and represents the best number management has.

Director Griswold asked concerning the debt service if there is any annual amount paid each year. Ms. Ferguson replied that the debt service reserve is on pg. 11, as well as the debt service fund on pg. 12. She said the debt service reserve fund is a fixed calculation which must be maintained at the maximum annual debt service each year, which has consistently been about \$4.3 million. Ms. Ferguson said the amount has remained in there as long as the bonds are outstanding and cannot be withdrawn until the final bond year. She said that is approaching quickly, and at that point the documents allow management to withdraw from the debt service reserve fund, shown on pg. 11, each month for the amount of debt service which would otherwise have to be deposited into the debt service fund on pg. 12 to make the payments. Director Griswold asked if he is correct in calling this a one year reserve which is essentially for thirty years. Ms. Ferguson said that was correct and noted it was necessary to get the SCARF designation from the State of Connecticut on the bonds.

Mr. Bolduc said when the budget was done for FY'12 rather than keeping money there until the bonds were paid off and writing the towns a big check; management used the funds in the last year. He explained when the budget was done, zero was put in for the debt service which was used to offset tip fee costs in FY'12 and the first part of FY'13. Mr. Bolduc said the trustee will use the money to pay the principal and interest in the last 12 months as allowed by the bond indenture.

Director Slifka asked for more information on the revenue fund on pg. 13. He said he was struck by the fact that every other one carries a very specific recommendation along with timing and intent, as well as the concept of retiring it. Director Slifka said this appears to be the largest reserve, and also has the least amount of firmness.

Mr. Bolduc said the money CRRA receives from the towns goes to the trustee through the bond indenture set up thirty years ago. He said CRRA can only draw on that money based on its budgets. Mr. Bolduc said for example if CRRA is building up reserves, which it does for a variety of reasons, those funds reside with the trustee and can only be taken out in terms of the budget. He explained the money sits there because of the structure of the MSA's (which are also tied into the bond indenture). Mr. Bolduc said in the FY'12 budget CRRA will draw cash out of that operating fund, based on the budget that the Board approved, which the trustee also reviews.

Mr. Bolduc said CRRA has to make requisitions for that money. He said about \$14 million will come out to be used to reduce the impact on the tip fee in FY'12. Mr. Bolduc said there is a lag in the used of surplus funds, he said they are not lost; they sit with the trustee and the CRRA Board by agreements and cannot be taken out until it is in the budget. He said at the end of the day any dollars left in the revenue fund, once the bonds are paid off, comes back to CRRA which uses the funds for any residual costs and returns excess funds to the towns.

Ms. Ferguson said the Mid-CT bond indenture is a closed indenture. She explained that means no funds can come out; in contrast to the Wallingford indenture where each month the trustee would clean out the revenue and send the funds back to CRRA. Ms. Ferguson said all electricity revenue, lock box revenue; all revenue must go to the bond trustee to be deposited in the revenue fund. She said as of June 30, 2011, that includes the surplus monies from the FY'11 budget and also the surplus funds from the FY'10 budget which are by contract required to be used for the next ensuing fiscal years. Ms. Ferguson said the FY'10 surplus is also included in the \$22 million which has already been incorporated in the FY'12 budget. She said that revenue fund will be used and will probably be very low in the end with all remaining funds transferred to CRRA.

Director Auletta said this was recently reviewed and as nothing has changed he is comfortable with the item.

4. Informational Section

Mr. Bolduc reviewed several new items contained in the Informational Section. He said behind Tab 5 is the reoccurring Finance Committee Agenda items. He said behind Tab 6 is a more detailed breakdown of the budget which will be coming to the Finance Committee and the Board in the next few months.

Mr. Bolduc said behind Tab 7 is the investment policy of CRRA's actions on excess cash. He said CRRA is restricted by policy and statutes and are in invested in conservative and liquid places, mostly in STIF, which does not generate a very high return and is actually earning less than a quarter of a point. Mr. Bolduc said SCRRRA is exploring investing future use dollars. He said if there is opportunity for safe investments with higher returns management will take advantage of it.

Mr. Bolduc said the auditors' management letter will be sent to the Committee next month. He said to the degree the letters are still open management monitors progress over time for the State audit and the independent financial audit letters. Mr. Bolduc said the last two State audits had no recommendations for CRRA.

Mr. Bolduc said Tab 9 and Tab 10 contain financial summaries for Bridgeport and Wallingford. He said as cash is built up and determined to be excess, those fund are returned to the towns, which will occur with the Mid-Ct Project as well.

ADJOURNMENT

Chairman Martland requested a motion to adjourn the meeting. The motion was made by Director Auletta and seconded by Director Slifka.

The meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal