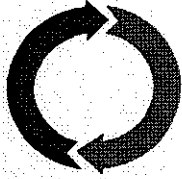


**CRRA  
BOARD MEETING  
SEPTEMBER 27, 2007**



**CONNECTICUT  
RESOURCES  
RECOVERY  
AUTHORITY**

**100 Constitution Plaza • Hartford • Connecticut • 06103 • Telephone (860)757-7700  
Fax (860)757-7745**

## **MEMORANDUM**

**TO:** CRRRA Board of Directors  
**FROM:** Moira Kenney, Secretary to the Board/Paralegal  
**DATE:** September 21, 2007  
**RE:** Notice of Meeting

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There will be a regular meeting of the Connecticut Resources Recovery Authority Board of Directors held on Thursday, September 27, 2007 at 9:30 a.m. The meeting will be held in the Board Room of 100 Constitution Plaza, Hartford, Connecticut.

Please notify this office of your attendance at (860) 757-7787 at your earliest convenience.

Connecticut Resources Recovery Authority  
Board of Directors Meeting

Agenda

September 27, 2007

9:30 AM

I. Pledge of Allegiance

II. Public Portion

A ½ hour public portion will be held and the Board will accept written testimony and allow individuals to speak for a limit of three minutes. The regular meeting will commence if there is no public input.

III. Minutes

1. Board Action will be sought for the approval of the July 26, 2007 Regular Board Meeting Minutes (Attachment 1).

IV. Finance

1. Finance Committee Update
2. Board Action will be sought regarding Insurance Renewals (Attachment 2).
3. Board Action will be sought regarding the FY '07 Audit Financial Statement (Attachment 3).
4. Board Action will be sought regarding the Temporary Disposition of the Investment Income Earned on Escrow Moneys Held by the State Treasurer Pursuant to the Court Order in the Matter of the Towns of New Hartford and Barkhamsted Versus the authority and Other Available Funds (Attachment 4).

V. Chairman's, President's and Committee Reports

- A. Chairman's Report
- B. President's Report
- C. Organizational Synergy & Human Resources Committee
- D. Policies & Procurement Committee
  1. Board Action will be sought regarding CRRA's Adherence to State Statutes Governing Equal Employment and Affirmative Action (Attachment 5).
  2. Board Action will be sought regarding Solid Waste Consulting Services to Support Procurements of Transportation and Disposal Services for Ash Residue (Attachment 6).

3. Board Action will be sought regarding Contract with CT DEP for reimbursement of Costs Associated with Annual Stack Testing at Mid-CT for Calendar Years 2008 and 2009 (Attachment 7).
4. Board Action will be sought regarding the Upgrade of the Automation System at the Mid-Connecticut Waste Processing Facility (Attachment 8).
5. Board Action will be sought Regarding the replacement of Trommel Thrust Rings at the Mid-Connecticut Waste Processing Facility (Attachment 9).
6. Board Action will be sought regarding the Purchase of Two High Speed Roll Up Doors for the Mid-Connecticut Waste Processing Facility (Attachment 10)
7. Board Action will be sought regarding Municipal Government Advisor Services Agreement (Attachment 11).
8. Board Action will be sought regarding Request for Services for Junk Mail Recycling Marketing Campaign (Attachment 12).
9. Board Action will be sought regarding an Agreement for Metals recovery and Marketing Services with wTe recycling, Inc. (Attachment 13).

VI. Executive Session

An Executive Session will be held to discuss pending litigation, real estate acquisition and personnel matters with appropriate staff.

# TAB 1

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**

**FOUR HUNDRED AND TWENTY-FOURTH MEETING**

**JULY 26, 2007**

A Regular meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Thursday, July 26, 2007 at 100 Constitution Plaza, Hartford, Connecticut. Those present were:

Chairman Michael Pace

Directors:     Mark Cooper  
                  James Francis  
                  Michael Jarjura (Present beginning at 10:40 a.m.)  
                  Edna Karanian  
                  Mark Lauretti  
                  Theodore Martland  
                  James Miron (Present by telephone beginning at 10:55 a.m.)  
                  Raymond O'Brien  
                  Jason Perillo, Ad Hoc – Bridgeport Project  
                  Linda Savitsky (Present beginning at 9:47)  
                  Timothy Griswold, Ad-Hoc – Mid-Connecticut Project

Present from the CRRA staff:

Tom Kirk, President  
Jim Bolduc, Chief Financial Officer  
Michael Bzdyra, Government Relations Liaison  
Robert Constable, Controller  
Peter Egan, Director of Environmental Affairs  
Floyd Gent, Director of Operations  
Laurie Hunt, Director of Legal Services  
Paul Nonnenmacher, Director of Public Affairs  
David Bodendorf, Senior Environmental Engineer  
Michael Tracey, Operations Manager, Construction Management  
Kristen Greig, Secretary to the Board/Paralegal

Also present were: Moira Kenney, Susan Hemmingway of BRRROC, John Pizzimenti of USA Hauling & Recycling, Jerry Tyminski of SCRRRA

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.

**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.

With no comments from the public, Chairman Pace stated that the regular meeting would commence.

**APPROVAL OF THE MINUTES OF THE JUNE 20, 2007 SPECIAL BOARD MEETING**

Chairman Pace requested a motion to approve the minutes of the June 20, 2007 Special Board Meeting. The motion made by Director O'Brien was seconded by Director Cooper. The motion previously made and seconded was approved unanimously.

<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Timothy Griswold, Ad-Hoc, Mid-CT	X		
<b>Non-Eligible Voters</b>			
Jason Perillo, Ad-Hoc, Bridgeport Project			

**APPROVAL OF THE MINUTES OF THE JUNE 28, 2007 REGULAR BOARD MEETING**

Chairman Pace requested a motion to approve the minutes of the June 28, 2007 Regular Board Meeting. The motion made by Director O'Brien was seconded by Director Cooper. The motion previously made and seconded was approved by roll call. Director Martland and Director Miron abstained.

<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland			X
James Miron			X
Raymond O'Brien	X		
<b>Non-Eligible Voters</b>			
Timothy Griswold, Ad-Hoc, Mid-CT			
Jason Perillo, Ad-Hoc, Bridgeport Project			

**ADDITION TO AGENDA**

Chairman Pace requested a motion to add an item to the agenda regarding closure costs associated with the Shelton landfill. Director Francis made the motion which was seconded by Director O'Brien. The motion previously made and seconded was approved unanimously by roll call.

<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Jason Perillo, Ad-Hoc, Bridgeport Project	X		
<b>Non-Eligible Voters</b>			
Timothy Griswold, Ad-Hoc, Mid-CT			

**RESOLUTION REGARDING THE CONTRACT WITH CT DEP FOR REIMBURSEMENTS OF CLOSING COSTS FOR THE SHELTON LANDFILL**

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

**RESOLVED:** That the President is hereby authorized to enter into a contract with the Connecticut Department of Environmental Protection for reimbursement of costs associated with closure of the Shelton Landfill, substantially as discussed and presented at this meeting.

The motion was seconded by Director O'Brien.

Director Miron asked Chairman Pace if the settlement funds would go to the city of Shelton. Director Lauretti's response was that all funds are designated for the Project. The \$3 million was state bond money which CRRA has been attempting to obtain for 6 years.

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

<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Linda Savitsky	X		
Jason Perillo, Ad-Hoc, Bridgeport Project	X		
<b>Non-Eligible Voters</b>			
Timothy Griswold, Ad-Hoc, Mid-CT			

**FINANCE COMMITTEE UPDATE**

The Board discussed the recycling revenue sharing program. Director Francis pointed out that currently the Mid-CT Project does not charge a fee for all recyclables returned, and will be offering \$10 a ton for recyclables.

Director O'Brien felt these incentives may help prevent the skimming of high value recyclables. He also stated that because the program is one that involves profit sharing, skimming would mean less profit to go around in the future.

Director Karanian praised the group for their efforts on the roll out and educational process in developing the program.

Mr. Bdzyra agreed that the program was of interest to not only towns but also to legislators. Mr. Nonnenmacher is in agreement that the benefits of the Mid-Connecticut project need to be stressed within the scope of the public eye as well as that of the legislation.

Director Savitsky reminded members present that it is important to continue to go directly to municipalities to retain their cooperation.

At this point in the discussion Director Martland introduced a recycling idea inspired by his recent travels to Paris. The Chairman and other members agreed the idea of placing recycling receptacles in cities was of interest and discussion ensued. The Board considered approaching Hartford representatives to ask if the \$100,000.00 CRRA already gives to the city for recycling efforts could be used to incorporate a pilot program regarding this idea which would also involve education.

Mr. Kirk informed Board members that an alternative to the proposed certificate concept will be developed to ensure adherence to the program.

**RESOLUTION REGARDING WRITE-OFF OF A RECEIVABLE FOR THE BRIDGEPORT PROJECT**

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

**RESOLVED:** That management is authorized to write-off the uncontrolled receivable balances relating to the municipal share credit benefit inappropriately received by the towns in the amounts of \$11,677.37, \$124,041.48 and \$30,710.77 for towns of Bethany, East Haven and Woodbridge, respectively.

Director Francis informed members present that towns participating in the Bridgeport Project had received funds mistakenly. Because the billing error was made on the part of CRRA, and in an effort to maintain diplomatic relations, the Board is asked to accept the proposed settlement. SWAB had already voted not to pursue collection of the full amounts due, which was met with some opposition.

Director Lauretti urged the board to accept the settlement to avoid the costly legal fees associated with obtaining the funds. Mr. Bolduc did however urge sensitivity in dealing with future altercations stressing that avoiding legal fees may not provide enough motivation to settle on future issues.

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

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		

Raymond O'Brien	X		
Linda Savitsky	X		
Jason Perillo, Ad-Hoc, Bridgeport Project	X		
<b>Non-Eligible Voters</b>			
Timothy Griswold, Ad-Hoc, Mid-CT			

**RESOLUTION SOUGHT REGARDING SPOT WASTE DELIVERY LETTER AGREEMENT BETWEEN BRRFOC AND CRRA**

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

**RESOLVED:** That the President is authorized to execute reciprocal Letter Agreements between BRRFOC and CRRA for the delivery of the spot waste substantially as presented and discussed at this meeting.

Chairman Pace asked that the minutes reflect Director Francis's concern that although projected revenue with the cost of diverting Bristol's waste to CRRA are included, there is no indication of the projected revenue and cost for CRRA to divert trash to Bristol.

Mr. Gent addressed the issue. Because CRRA is a much larger facility than Bristol they have not been able to divert trash to the Bristol facility. The contract is in existence merely to reflect the reciprocal nature between the two businesses and the cost has been predetermined if that opportunity arises in the future. A contract with the Windsor/Bloomfield landfill is in existence to compensate for Bristol's inability to accept trash from CRRA .

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

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Linda Savitsky	X		
Timothy Griswold, Ad-Hoc, Mid-CT	X		
<b>Non-Eligible Voters</b>			
Jason Perillo, Ad-Hoc, Bridgeport Project			

## **CHAIRMAN'S, PRESIDENT'S AND COMMITTEE REPORTS**

### **CHAIRMAN'S REPORT**

Chairman Pace had nothing to report and asked Mr. Kirk for his report.

### **PRESIDENT'S REPORT**

Mr. Kirk's report was restricted to discussion within Executive Session.

Director O'Brien asked Mr. Kirk if there were any updates on the payment of Watertown's renewal taxes, an issue Mr. Kirk asked Mr. Gent to address.

Mr. Gent informed members present that an agreement has been presented to only Watertown. However, Watertown wants to make sure the other host towns are in agreement before moving forward with this issue. CRRA is working with Watertown to set up a meeting with the host communities in Ellington, Essex, and Torrington with their CEO's and town managers. The meetings will discuss proposed agreements with all four towns with an emphasis on finding a solution that is agreeable to all parties.

Mr. Kirk informed members present that a current agreement with CRRA's brokerage house for benefits and administration will be extended for an additional 6 months to allow continuation of the present work slope, while management pursues an RFQ. He assured the Board that the continuation will be at no cost to CRRA per the brokerage arrangement. In the future CRRA will continue to attempt to keep any termination and renewal of contracts on the same dates to streamline the Request for Proposal process. In this particular case the timing will be changed so the brokerage house can continue with their work.

### **ORGANIZATIONAL SYNERGY & HUMAN RESOURCES COMMITTEE**

Ms. Greig introduced her replacement, Moira Kenney, to the Board. Chairman Pace also informed the Board of three other employee departures, but assured members present that the resignations were all due to personal matters.

### **LEGISLATIVE REPORT**

Mr. Bdzyra gave the Board a summary of the legislative session. Efforts to change quorum requirements were stalled in several committees. Through the efforts of management and member town persistence, CRRA obtained \$15 million in state bond funds for closure costs for the Hartford Landfill in Governor Rell's proposed capitol budget. An electronic recycling bill was passed by the General Assembly and will go into effect beginning 1/1/09. The bill requires manufacturers to be charged a fee to assist in recycling efforts. Potential effects on CRRA were discussed with an emphasis on attempting to provide a self sustaining and user friendly program that would adhere to the electronics recycling bill. Mr. Kirk mentioned that CRRA's relationship with the DEP is strong and the organization will assist in implementation.

Lastly Mr. Bdzyra informed members the bottle bill expansion ultimately failed but will likely be back next year.

**POLICIES & PROCUREMENT COMMITTEE**

**RESOLUTION REGARDING COOPERATIVE SERVICES AGREEMENT BETWEEN  
CRRRA AND THE DEPARTMENT OF AGRICULTURE ANIMAL AND PLANT  
HEALTH INSPECTION SERVICE WILDLIFE SERVICE**

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

**RESOLVED:** That the President is hereby authorized to execute an agreement with the United States Department of Agriculture Animal and Plant Health Inspection Service Wildlife Services, for the control of nuisance birds at the Hartford Landfill and Mid-Connecticut Project Waste Processing Facility, substantially as presented and discussed at this meeting.

The motion was seconded by Director Martland.

Director O’Brien noted that there was a discrepancy in dates on the contract summary. Mr. Egan stated that the term of the contract is from September 1, 2007, to June 30, 2008. The contract was praised by Director O’Brien for obtaining the desired results while still being cost effective.

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

<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O’Brien	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Linda Savitsky	X		
<b>Non Eligible Voters</b>			
Jason Perillo, Ad Hoc, Bridgeport Project			

**RESOLUTION REGARDING A PORTION OF THE MSW/INTERIM ASH DISPOSAL AREA OF THE HARTFORD LANDFILL**

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

**RESOLVED:** That the President is hereby authorized to execute an agreement with R. Bates & Sons, Inc. to install a landfill cap over approximately 45 acres of the MSW/Interim Ash Disposal Area of The Hartford Landfill, install a new onsite access road, and relocate a leachate force main and electric services, substantially as presented and discussed at this meeting.

The motion was seconded by Director Savitsky.

Mr. Kirk recommended that the Board accept the resolution based on CRRA's choice of the lowest bid and confidence with the price estimate.

Director Martland asked what happens to the run off rain water from the landfill. Mr. Bodendorf explained that ash is covered with a membrane as well as a plastic cover and then by 18 inches of material specifically designed to manage precipitation and prevent problems with plant roots. The run off water never comes in contact with the ash and is eventually diverted into catch basins and the storm sewer system.

Chairman Pace suggested that CRRA consider utilizing dredged silt from the lower Connecticut River valley area to be used to mix into the landfill material used to divert run off. This practice is used by other towns and may save money for the state if it is tied into the dredging.

According to Mr. Kirk the material requirements are strict; he will insure the contractor explores the possibility of using the material with due regard to budgetary costs.

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

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
Raymond O'Brien	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Linda Savitsky	X		
Non Eligible Voters			

Jason Perillo, Ad Hoc, Bridgeport Project			
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**RESOLUTION REGARDING CONSTRUCTION QUALITY ASSURANCE SERVICES TO SUPPORT CLOSURE OF THE PORTION OF THE MSW/INTERIM ASH DISPOSAL AREA OF THE HARTFORD LANDFILL**

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

**RESOLVED:** The President is hereby authorized to enter into a contract with Fuss & O'Neil, Inc. to perform Construction Quality Assurance (CQA) services associated with the capping of a portion of the MSW/Interim Ash Disposal Area of CRRRA Hartford Landfill, the installation of a new on-site access road, and the relocation of a leachate force main and electric service, substantially as discussed and presented at this meeting.

The motion was seconded by Director Jarjura.

Mr. Bodendorf performed an analysis of the two firms who submitted bids. Although Fuss & O'Neil is slightly more expensive than the competitors' bid they offer stronger qualifications and personnel for the project and were selected as CRAA's top choice. Mr. Bodendorf stated that he will be present at construction meetings to work with Fuss and O'Neil on the project.

The motion previously made and seconded was approved. Director Martland voted nay.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Mike Jarjura	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland		X	
Raymond O'Brien	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Linda Savitsky	X		
<b>Non Eligible Voters</b>			
Jason Perillo, Ad Hoc, Bridgeport Project			

**AUTHORIZATION FOR PAYMENT OF PROJECTED LEGAL EXPENDITURES**

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

**WHEREAS, CRRA** has entered into Legal Service Agreements with various law firms to perform legal services; and

**WHEREAS,** the Board of Directors has previously authorized certain amounts for payments of fiscal year 2007 projected legal fees; and

**WHEREAS, CRRA** expects to incur greater than anticipated legal expenses in connection with Mid-Connecticut Project matters;

**NOW THEREFORE, it is RESOLVED:** That the following additional amount be authorized for payment of legal fees and costs to be incurred through June 30, 2007:

<u>Firm:</u>	<u>Amount:</u>
Pepe & Hazard	\$100,000

The motion was seconded by Director Savitsky.

Attorney Hunt explained to Board members that before she can ask accounting to accrue the \$100,000.00 she first needs the approval of the Board. The money would be used to pay an outstanding account with Pepe & Hazard in order to continue an ongoing litigation dispute with AIG.

The motion previously made and seconded was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Mike Jarjura	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
Raymond O'Brien	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Linda Savitsky	X		
<b>Non Eligible Voters</b>			
Jason Perillo, Ad Hoc, Bridgeport Project			

**AUTHORIZATION FOR PAYMENT OF ADDITIONAL PROJECTED ADDITIONAL LEGAL EXPENSES**

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

**WHEREAS**, CRRA has entered into Legal Service Agreements with various law firms to perform legal services; and

**WHEREAS**, the Board of Directors has previously authorized certain amounts for payments of fiscal year 2008 projected legal fees; and

**WHEREAS**, CRRA expects to incur greater than anticipated legal expenses in connection with Mid-Connecticut Project matters;

**NOW THEREFORE, it is RESOLVED:** That the following additional amount be authorized for payment of legal fees and costs to be incurred through June 30, 2008:

<u>Firm:</u>	<u>Amount:</u>
Pepe & Hazard	\$400,000

The motion was seconded by Director Martland.

Director Francis requested a monthly update of actual expenditures. The motion was seconded by Director Cooper and a roll call was taken. Director Francis abstained, and the motion passed.

Director Savitsky made a motion to table this item until after executive session. The motion was seconded by Director O'Brien and approved unanimously.

**EXECUTIVE SESSION**

Chairman Pace requested a motion to enter into Executive Session to discuss pending litigation, real estate acquisition, and personnel matters with appropriate staff. The motion was made by Director O'Brien and seconded by Director Savitsky. The motion previously made and seconded was approved unanimously. Directors Cooper and Francis did not participate in the executive session due to conflicts of interests. Chairman Pace requested that the following people be invited to the Executive Session in addition to the Directors and Mid-Connecticut Ad-Hocs:

Tom Kirk  
Jim Bolduc  
Laurie Hunt, Esq.

The Executive Session began at 11:15 a.m. and concluded at 12:10 p.m. Chairman Pace noted that no votes were taken in Executive Session.

The meeting was reconvened at 12:10 p.m.

**AUTHORIZATION FOR PAYMENT OF ADDITIONAL PROJECTED ADDITIONAL LEGAL EXPENSES CONTINUED**

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

**WHEREAS, CRRA** has entered into Legal Service Agreements with various law firms to perform legal services; and

**WHEREAS,** the Board of Directors has previously authorized certain amounts for payments of fiscal year 2008 projected legal fees; and

**WHEREAS, CRRA** expects to incur greater than anticipated legal expenses in connection with Mid-Connecticut Project matters;

**NOW THEREFORE, it is RESOLVED:** That the following additional amount be authorized for payment of legal fees and costs to be incurred through June 30, 2008

Firm:  
Pepe & Hazard

Amount:  
\$400,000

The motion was seconded by Director Martland.

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

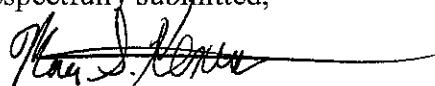
<b>Eligible Voters</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis			X
Mike Jarjura	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
Raymond O'Brien	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Linda Savitsky	X		
<b>Non Eligible Voters</b>			
None			

**ADJOURNMENT**

Chairman Pace requested a motion to adjourn the meeting. The motion to adjourn was made by Director O'Brien and seconded by Director Savitsky and was approved unanimously.

There being no other business to discuss, the meeting was adjourned at 12:15 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Moira J. Kenney", written over a horizontal line.

Moira Kenney  
Secretary to the Board/Paralegal

**TAB 2**

**RESOLUTION OF CONNECTICUT RESOURCES RECOVERY  
AUTHORITY BOARD OF DIRECTORS REGARDING THE PURCHASE OF  
COMMERCIAL GENERAL LIABILITY, UMBRELLA LIABILITY,  
POLLUTION LEGAL LIABILITY AND COMMERCIAL AUTOMOBILE  
LIABILITY INSURANCE**

**RESOLVED:** That CRRA's Commercial General Liability insurance be purchased from Ace (Illinois Union Insurance Company) with a \$1,000,000 limit, \$50,000 deductible for the period 10/1/07 – 10/1/08 for a premium of \$258,898, as discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA's \$25 million Umbrella Excess liability insurance be purchased as follows: \$10 million from Everest National Insurance Company for a premium of \$129,948 and \$15 million from Allied World Assurance Company for a premium of \$76,500 for the period 10/1/07 – 10/1/08 as discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA's Pollution Legal Liability insurance be purchased from Ace (Illinois Union Insurance Company) with a \$20 million limit, \$1 million retention for the period 10/1/07 – 10/1/08 for a premium of \$344,666; and

**FURTHER RESOLVED:** That CRRA's Commercial Automobile Liability insurance be purchased from Ace American Insurance Company with a \$1 million limit, comprehensive and collision only on eight vehicles with a \$1,000 deductible, for the period 10/1/07 – 10/1/08 for a premium of \$65,000.

The aggregate casualty premium is \$875,012 including all of the insurance outlined above for the period 10/1/07 – 10/1/08 (CRRA's 2008 annualized budget for these policies was \$1,104,554). The proposed premiums represent a savings of \$194,509 (18%) over last year's premiums.

**Executive Summary**  
**Connecticut Resources Recovery Authority**  
**Casualty Insurance Program Renewal**  
September 27, 2007

**Background**

CRRA's current casualty insurance program, consisting of Commercial General Liability, Automobile Liability, Umbrella Liability and Pollution Legal Liability policies, expires on October 1, 2007 and needs to be renewed. (Exhibit I summarizes the coverage under these policies.)

**New Program Marketing and Results**

CRRA began this marketing phase with our broker, Aon Risk Services (Aon) in May of this year. (Exhibit II identifies the numerous markets approached by Aon.)

**General Liability/Excess Umbrella Liability/Pollution Legal Liability**

Quotations on the existing program structure with a total of \$25 million in Umbrella/Excess limits as well as \$20 million in Pollution Legal Liability limits were sought from all markets.

ACE submitted a quote for the \$1 million General Liability program - \$258,898. ACE's maximum coverage quote for Umbrella is \$25 million - \$288,750. Both ACE's General Liability and Umbrella policies contain a requirement for a \$50,000 deductible. ACE would not allow a higher deductible unless CRRA hired a firm (third party administrator TPA) to handle claims within that deductible. The TPA would need to be paid, reducing any possible minor premium savings gained with a higher deductible.

A new market expressed interest in providing CRRA's \$1 million General Liability policy this year. Liberty Mutual provided a quote of \$226,849 with a \$50,000 deductible. In addition to the premium a \$50,000 cash deposit for securitizing the deductible would also be required; therefore the total cash payment due would equal \$276,849.

Because Liberty would not provide an Umbrella limit, Aon sought quotes from Excess Umbrella carriers through wholesalers to equal the \$25 million limit offered by ACE. Quotes were received from Everest National Insurance for \$10 million excess for \$129,948 and for \$15 million excess of that from Allied World Assurance Company (AWAC) for \$76,500.

The Umbrella carriers also agreed to provide excess over ACE's General Liability quote for the same premiums as outlined above.

Zurich expressed interest in CRRA's program this year but only provided "indications" (not firm quotes) on our General Liability and Umbrella programs. Their indications for an overall \$25 million program were significantly above the other quotes; General Liability - \$350,000 - \$400,000; Umbrella Liability - \$450,000 - \$500,000 and Auto Liability - \$100,000. Zurich did not entertain providing Pollution Legal Liability coverage.

ACE provided quotes for Pollution Legal Liability coverage:

RETENTION OPTIONS (per pollution condition)	LIMIT OPTIONS (per / aggregate)		
	\$15,000,000 / \$15,000,000	\$20,000,000 / \$20,000,000	\$25,000,000 / \$25,000,000
\$500,000 Self Insured Retention	\$304,956	\$383,597	\$459,129
\$1,000,000 Self Insured Retention	\$270,071	\$344,666	\$416,350

ACE has agreed to add the newly acquired property formerly owned by the Thompson Family Land Trust. In addition, ACE has agreed to provide on-site remediation costs for Sudden and Accidental Coverage for the 5,540,000 gallon Jet Fuel above ground storage tank located at the Mid-CT Facility site.

No other insurer offered a Pollution Legal Liability policy.

#### Automobile Liability

CRRA sought coverage on 38 units. Comprehensive and collision coverage would only be on the newer eight (8) passenger vehicles and liability coverage would be on the entire fleet of 38 units.

ACE provided a quote for \$1 million of coverage for a premium of \$65,000. This premium represents a significant decrease over last year (\$81,025) even though we have traded some older vehicles in for newer ones and these require comprehensive/collision coverage. Last year we had five (5) vehicles requiring this coverage; this year there are eight (8).

Liberty's quote for Auto Liability insurance was \$64,710.

Zurich provided an "indication" for our Auto Liability program of \$100,000.

The chart below provides a comparison of the expiring premiums and the quotes received (highlighted column is recommended):

**CRRA Casualty Insurance: 10/1/07-10/1/08**  
**Breakdown of Expiring Premiums vs. Recommended Renewal Premiums**

<b>Line of Coverage</b>	<b>Expiring Premium ACE 2006-2007</b>	<b>Renewal Premium Quote - ACE</b>	<b>Premium Quote Liberty, Everest &amp; AWAC</b>	<b>Renewal Premium Quote - ACE, Everest &amp; AWAC</b>
<b>General Liability</b>	\$1M - \$305,000 (includes TRIA \$15,000)	\$1M - \$258,898 (includes TRIA)	\$1M - \$226,849 plus \$50,000 cash deposit * - Liberty (includes TRIA)	<b>\$1M - \$258,898 ACE</b> (includes TRIA)
<b>Automobile Liability</b>	\$81,025 (comp & collision on 5 vehicles only)	\$65,000 (comp & collision on 8 vehicles)	\$64,710 (comp & collision on 8 vehicles)	<b>\$65,000 - ACE</b> (comp & collision on 8 Vehicles)
<b>Umbrella / Excess Liability</b> (Sits over all but Pollution)	\$25M - \$351,750 Includes TRIA	\$25M - \$288,750 (Includes TRIA)	\$10M - Everest \$129,948 \$15M - AWAC \$76,500 = Total \$206,448 (Includes TRIA)	<b>\$10M - Everest \$129,948</b> <b>\$15M - AWAC \$76,500 = Total \$206,448</b> (Includes TRIA)
<b>Pollution Legal Liability</b>	\$20M - \$331,746 Includes TRIA	\$20M - \$344,666 TRIA Automatically included	ACE PLL - \$20M \$344,666 TRIA Automatically included	<b>ACE PLL - \$20M \$344,666</b> TRIA Automatically included
<b>Overall Cost of Program Total</b>	\$25M-GL&Auto - \$737,775 \$20M-PLL - \$331,746 Total Cost - \$1,069,521	\$25M GL&Auto - \$612,648 \$20M - PLL - \$344,666 Total Cost - \$957,314	\$25M GL & Auto - \$498,007 plus \$50,000 cash payment = \$548,007 \$20M PLL (ACE) \$344,666 Total Cost - \$892,673 *	<b>\$25M GL &amp; Auto - \$530,346</b> <b>\$20M - PLL \$344,666</b> <b>Total Cost - \$875,012</b>

*\* WITHOUT CONSIDERATION OF THE \$50,000 CASH PAYMENT TO LIBERTY, THE OVERALL PROGRAM WITH LIBERTY AS THE LEAD GENERAL LIABILITY PROVIDER IS \$32,339 LESS EXPENSIVE THAN THE PROGRAM WITH ACE AS THE LEAD. HOWEVER, THE \$50,000 IS REQUIRED AT INCEPTION OF THE POLICY AND WOULD REMAIN WITH LIBERTY TO PAY ANY CLAIM COSTS DURING THE POLICY PERIOD BEFORE REACHING THE DEDUCTIBLE. (general liability claim expenses over the last six years have averaged \$47,685 annually).*

**RECOMMENDATION**

- **In consultation with our broker, Aon, management recommends that the Finance Committee accept the following quotes offered by ACE, Everest National Insurance Company (Everest) and Allied World Assurance Company (AWAC) for the period 10/1/07 – 10/1/08:**

**\$ 258,898 for \$1 million of Commercial General Liability - ACE**  
**\$ 129,948 for \$10 million Umbrella/Excess Liability – Everest National**  
**\$ 76,500 for \$15 million Umbrella/Excess Liability - AWAC**  
**\$ 344,666 for \$20 million of Pollution Legal Liability - ACE**  
**\$ 65,000 for \$1 million of Commercial Automobile Liability - ACE**

**All policies except Auto include TRIA (certified acts of terrorism) coverage.**

**There are no significant changes to the terms and conditions of the policies over those secured last year.**

Even though the Liberty Commercial General Liability quote, discounting the \$50,000 required payment, is lower than that offered by ACE, we recommend staying with ACE for the following reasons:

1. It is beneficial to develop and sustain relationships with insurers.
2. ACE was the only insurer to accept CRRA's program when we found ourselves in a severe bind last year with the coverage declinations by AIG.
3. Liberty did not offer Umbrella limits; ACE did.
4. Liberty did not offer Pollution Legal Liability coverage; ACE did.

Total casualty premium - \$875,012 vs. annualized budget amount of \$1,104,554 (see Premium to Budget Comparison, Exhibit III).

## Description of Coverage

### Commercial General Liability Insurance

#### **\$1,000,000 – Commercial General Liability**

Covers damages to third parties for bodily injury or property damage within policy terms and conditions (e.g., a workman drops a tool and dents somebody's automobile; someone slips and falls at one of our facilities).

#### **\$25,000,000 – Umbrella/Excess Liability**

Covers all of the losses within policy terms and conditions that exceed the underlying layer of \$1,000,000 General Liability and Auto Liability.

### Pollution Legal Liability

#### **\$20,000,000 – Pollution Legal Liability**

Covers losses arising from pollution conditions to third parties within policy terms and conditions for onsite bodily injury and property damage, third party claims for off-site clean up resulting from new conditions, third party claims for off site bodily injury and property damage, coverage for scheduled non owned disposal locations and pollution conditions resulting from transported cargo. Added this year--on site clean up of new conditions only from spills associated with the jet fuel tank at Mid-CT facility.

### Automobile Liability Insurance

Covers damages to third parties for bodily injury or property damage from the use of a CRRA owned auto within policy terms and conditions. The policy also covers the physical damage of CRRA owned units. CRRA is responsible for insuring 37 power units and 1 transporter plate - tractors/ trailers, light trucks and passenger vehicles used in connection with administration and operation of our facilities. Comprehensive and collision coverage is only on eight passenger vehicles and light trucks with a \$1,000 deductible.

Connecticut Resources Recovery Authority

Quote Disclosure Report  
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EXHIBIT II

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium <sup>1</sup>	Quoted ARS Commission	Nationally Agreed Fixed Commission Rate <sup>2</sup>	Intermediary Commission (if applicable)	ARS Fee (if applicable)	Total ARS Income <sup>3</sup>	Total Cost to Client (Premium + Fee)
Automobile	Business Auto	Liberty Mutual Insurance Co.		Quoted	N/A	\$64,710.00	0.00%	N/A	N/A	N/A	\$0.00	\$64,710.00
Automobile	Business Auto	ACE American Insurance Company		Quoted	N/A	\$65,000.00	0.00%	N/A	N/A	N/A	\$0.00	\$65,000.00
Excess Liability EXCLUDING TRIA	Excess Liability Coverage	Allied World Assurance Company Ltd.	Tri-City Insurance Brokers Inc	Quoted	N/A	\$75,000.00	0.00%	N/A	10.00%	N/A	\$0.00	\$75,000.00
Excess Liability EXCLUDING TRIA	Excess Liability Coverage	Everest National Insurance Co	Tri-City Insurance Brokers Inc	Quoted	N/A	\$127,400.00	0.00%	N/A	10.00%	N/A	\$0.00	\$127,400.00
Including TRIA	Excess Liability Coverage	Everest National Insurance Co	Tri-City Insurance Brokers Inc	Quoted	N/A	\$129,948.00	0.00%	N/A	10.00%	N/A	\$0.00	\$129,948.00
Excess Liability EXCLUDING TRIA	Excess Liability Coverage	Allied World Assurance Company Ltd.	Tri-City Insurance Brokers Inc	Quoted	N/A	\$76,500.00	0.00%	N/A	10.00%	N/A	\$0.00	\$76,500.00
General Liability EXCLUDING TRIA	General Liability Coverage	Catlin Insurance Company Limited	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability EXCLUDING TRIA	General Liability Coverage	Liberty Mutual Insurance Co.	N/A	Quoted	N/A	\$224,603.00	0.00%	N/A	N/A	N/A	\$0.00	\$224,603.00
General Liability EXCLUDING TRIA	General Liability Coverage	ACE American Insurance Company		Quoted	N/A	\$245,953.00	0.00%	N/A	N/A	N/A	\$0.00	\$245,953.00
General Liability EXCLUDING TRIA	General Liability Coverage	Liberty Mutual Insurance Co.		Quoted	N/A	\$226,849.00	0.00%	N/A	N/A	N/A	\$0.00	\$226,849.00
General Liability EXCLUDING TRIA	General Liability Coverage	ACE American Insurance Company	N/A	Quoted	N/A	\$258,898.00	0.00%	N/A	N/A	N/A	\$0.00	\$258,898.00
General Liability, Auto & Umbrella	Commercial Package Policy	Catlin Insurance Company Limited	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	Admiral Insurance Company	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	General Star Indemnity	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	Zurich American Ins Co	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	Ciubbe & Son Inc	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	American Empire Ins Co	Tri-City Insurance Brokers Inc	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	CNA Ins Grp	N/A	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	St. Paul Travelers Group	N/A	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	Harford F & C Grp	N/A	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Liability, Auto & Umbrella	Commercial Package Policy	XI Insurance Co Ltd	N/A	Declined	Exposures	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Umbrella EXCLUDING TRIA	Umbrella Liability	ACE American Insurance Company		Quoted	N/A	\$275,000.00	0.00%	N/A	N/A	N/A	\$0.00	\$275,000.00
Umbrella Including TRIA	Umbrella Liability	ACE American Insurance Company	N/A	Quoted	N/A	\$288,750.00	0.00%	N/A	N/A	N/A	\$0.00	\$288,750.00

<sup>1</sup> ARS receives premiums Clients pay for remittance to carriers as well as refunds and claim payments by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and carrier agreements.

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium <sup>1</sup>	Quoted ARS Commission	Nationally Agreed Fixed Commission Rate <sup>2</sup>	Intermediary Commission	ARS Fee (if applicable)	Total ARS Income <sup>3</sup>	Total Cost to Client (Premium + Fee) <sup>4</sup>
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<sup>2</sup> Where compensation to ARS is in the form of commission, and notwithstanding any commission amounts shown in the Quoted ARS Commission column, ARS has nationally-agreed commission rates with these carriers for certain lines of business that may be higher than the quoted commission shown. ARS expects to earn the commission shown in the Nationally Agreed Fixed Commission Rate column on the gross premium amount quoted herein. This payment would not change in any way the amount of premium paid by the client to the carrier.

<sup>3</sup> Total ARS Income equals the sum of the commission ARS will receive from the Carrier plus ARS Fee, if any. Commission is calculated by multiplying the Premium amount by the Nationally Agreed Fixed Commission Rate, if applicable, or, if not applicable, by multiplying Premium by the Quoted ARS Commission rate.

<sup>4</sup> The Total Cost to Client does not include applicable surplus lines taxes and fees and it does not include applicable state fees, surcharges, or taxes assessed on the policy.

Presentation Date: September 12, 2007

Currency: USD

Program	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
Pollution	XL/Indian Harbor	N/A	Declined	Type of Risk	N/A	\$0	N/A
Pollution	ACE/Illinois Union	N/A	Quoted	N/A	1) \$304,956; 2) \$270,071; 3) \$383,597; 4) \$344,666; 5) \$459,129; 6) \$416,350	\$0	N/A
Pollution	Liberty	N/A	Declined	Type of Risk	N/A	\$0	N/A

ARS receives premiums Clients pay for remittance to insurers as well as refunds and claim payments by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

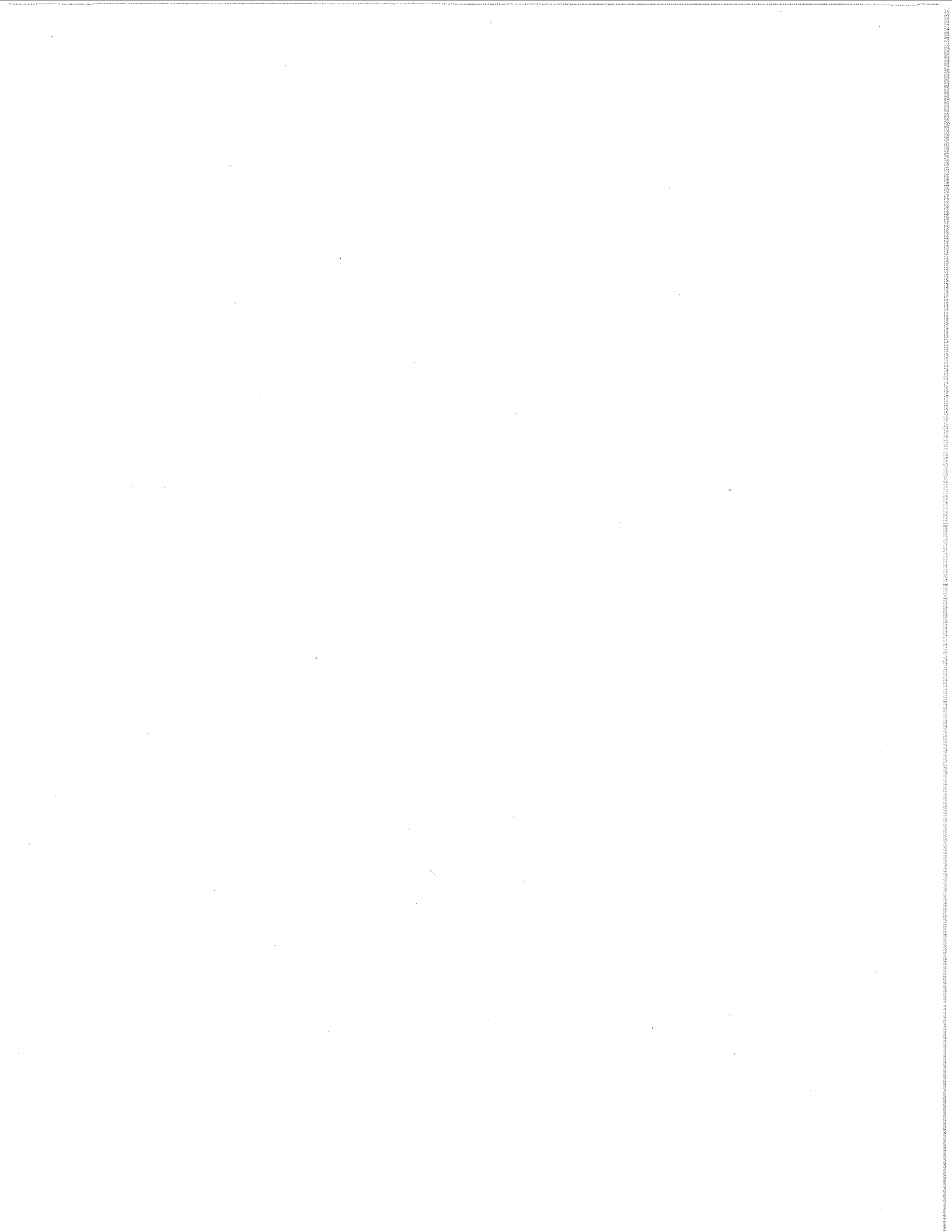
PREMIUM TO BUDGET COMPARISON

Insurance Type	2006-2007	FY2007	FY2008	Annualized Budget	Proposed Premium (10/1/07-10/1/08)	Surplus/ (Deficit) to Budget
	10/1/06-10/1/07 Premium	(10/1/06-6/30/07) Actual	(7/1/07-10/1/07) Budget			
General Liability	\$305,000	\$228,750	\$83,875	\$312,625	\$258,898	\$53,727
Umbrella Excess	\$351,750	\$263,813	\$96,731	\$360,544	\$206,448	\$154,096
Pollution Legal Liab.	\$331,746	\$248,810	\$99,524	\$348,334	\$344,666	\$3,668
Auto Liability	\$81,025	\$60,769	\$22,282	\$83,051	\$65,000	\$18,051
<b>TOTALS</b>				<u>\$1,104,554</u>	<u>\$875,012</u>	<u>\$229,542</u>

## TAB 3

**RESOLUTION REGARDING THE ANNUAL FINANCIAL  
REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Resolved:** That the Board hereby approves and endorses the Annual Financial Report for the Fiscal Year Ended June 30, 2007, substantially as discussed and presented at this meeting.



# **CONNECTICUT RESOURCES**

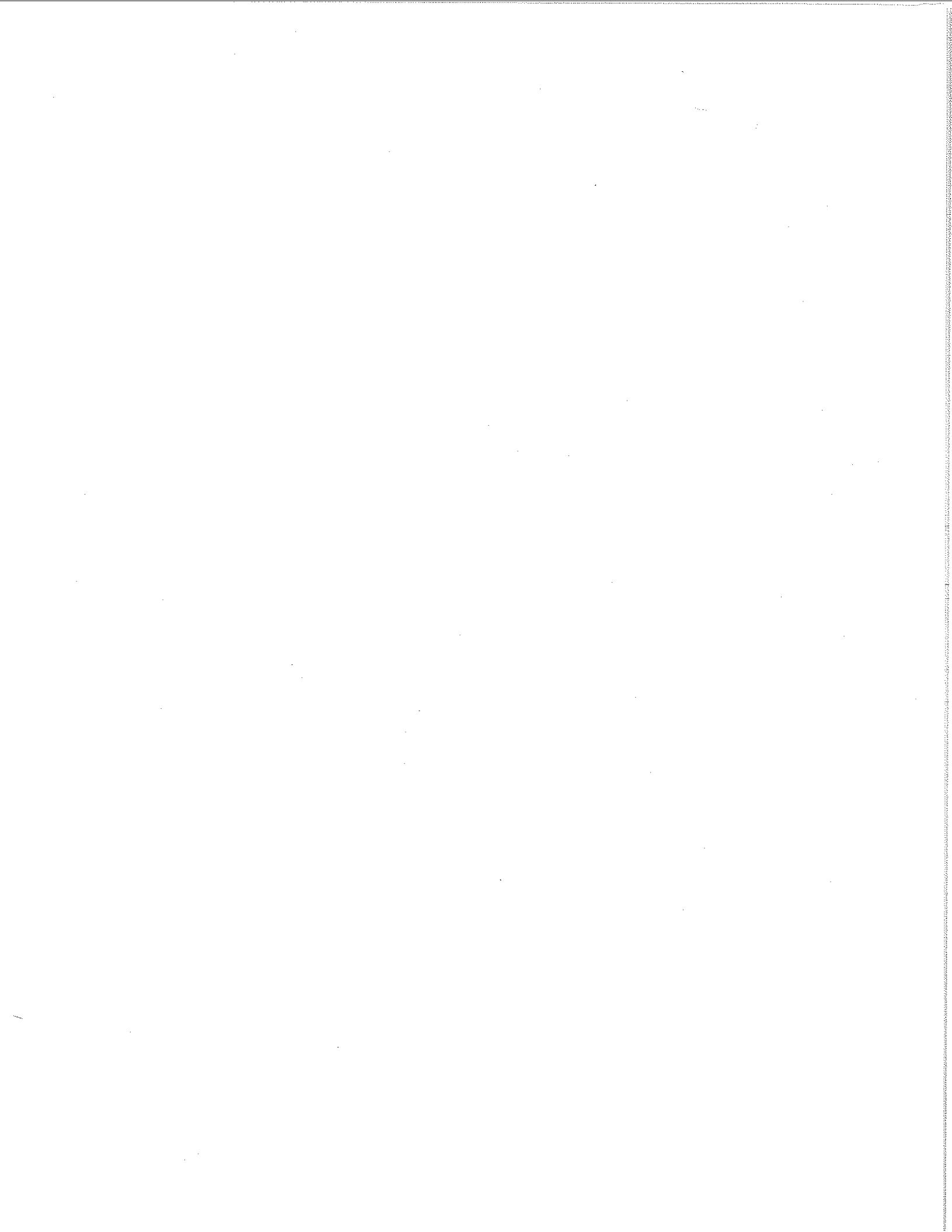
## **RECOVERY AUTHORITY**

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### **ANNUAL FINANCIAL REPORT**

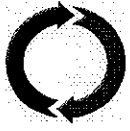
**YEAR ENDED JUNE 30, 2007**

**FOR DISCUSSION ONLY**



**ANNUAL FINANCIAL REPORT****AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The supplementary information as of and for the year ended June 30, 2007 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 2007 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2007 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 financial statements taken as a whole.

Glastonbury, Connecticut  
September XX, 2007



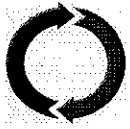
## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Connecticut Resources Recovery Authority (the "Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2007 and 2006. The MD&A reflects the Authority's commitment to openness and transparency. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

### FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2007 total assets decreased by \$7.7 million or 1.9% over fiscal year 2006 and total liabilities increased by \$6.0 million or 3.9%. Total assets exceeded total liabilities by \$238.7 million as of June 30, 2007 as compared to \$252.4 million as of June 30, 2006, or a net decrease of \$13.7 million. The fiscal year 2006 total assets increased by \$15.3 million or 3.9% compared to fiscal year 2005 and total liabilities decreased by \$6.4 million or 4.0%. Total assets exceeded total liabilities by \$252.4 million as of June 30, 2006 as compared to \$230.8 million as of June 30, 2005, or a net increase of \$21.6 million.

	(In Thousands)		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>			
Current unrestricted assets	\$ 124,788	\$ 125,572	\$ 92,292
Current restricted assets	60,290	20,819	23,779
Total current assets	<u>185,078</u>	<u>146,391</u>	<u>116,071</u>
Non-current assets:			
Restricted cash and cash equivalents	49,642	80,130	81,452
Investments	779	-	-
Capital assets, net	156,334	171,721	184,414
Development and bond issuance costs, net	4,921	6,218	7,221
Total non-current assets	<u>211,676</u>	<u>258,069</u>	<u>273,087</u>
<b>TOTAL ASSETS</b>	<u>\$ 396,754</u>	<u>\$ 404,460</u>	<u>\$ 389,158</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 72,270	\$ 31,705	\$ 33,695
Long-term liabilities	85,713	120,321	124,695
<b>TOTAL LIABILITIES</b>	<u>157,983</u>	<u>152,026</u>	<u>158,390</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 117,855	\$ 89,888	\$ 100,471
Restricted	43,324	63,907	61,636
Unrestricted	77,592	98,639	68,661
Total net assets	<u>238,771</u>	<u>252,434</u>	<u>230,768</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 396,754</u>	<u>\$ 404,460</u>	<u>\$ 389,158</u>



## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2007 and 2006:

### ASSETS

**Current unrestricted assets** decreased by \$0.8 million or 0.6% over fiscal year 2006, which increased by \$33.3 million or 36.1% over fiscal year 2005. The fiscal year 2007 decrease is primarily due to:

- Funds used to partially defease the remaining Mid-Connecticut Project 1996 Series A Bonds (\$21.6 million); and
- Payments for plant improvements and equipment purchases at the Mid-Connecticut Waste Processing Facility and landfill development costs (\$1.7 million); and
- Increases in payments for contract operating charges at the Bridgeport project (\$4.7 million) as a result of the depletion of the municipal share fund, which was used to offset processing costs; offset by:
- Increased operating cash balances of \$19.6 million at the Bridgeport, Mid-Connecticut and Wallingford projects as a result of contributions toward operating cash requirements for specific purposes; and
- Interest earned on current unrestricted cash and cash equivalents (\$5.1 million); and
- A \$3.0 million grant receivable from the Connecticut Department of Environmental Protection (“CTDEP”) as reimbursement of costs previously incurred by the Authority in the closure of the Shelton landfill.

The fiscal year 2006 increase over 2005 was primarily due to:

- Increased operating cash balances of \$22.8 million at the Bridgeport, Mid-Connecticut, and Wallingford projects as a result of contributions toward operating cash requirements for specific purposes; and
- A \$5.2 million transfer of funds, including \$0.5 million of interest income, from current restricted assets as a result of an arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators; and
- Interest earned on current unrestricted cash and cash equivalents (\$4.1 million); and
- A transfer of fiscal year 2005 cash surplus of \$2.8 million from the Mid-Connecticut project current restricted assets to the Mid-Connecticut operating cash account; offset by:
- Payments for plant improvements and equipment purchases at the Waste Processing and Power Block Facilities, postclosure costs at the Ellington Landfill and landfill development costs (\$1.3 million).

**Current restricted assets** increased by \$39.5 million or 189.6% over fiscal year 2006, which decreased by \$3.0 million or 12.4% compared to fiscal year 2005. The fiscal year 2007 increase is primarily due to:



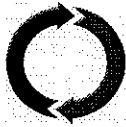
- Increased restricted cash balance of \$37.3 million (net of attorneys' fees and costs of litigation) at the Mid-Connecticut project as a result of litigation-related settlements; and
- Increased Revenue Fund balances at the Mid-Connecticut and Bridgeport projects of \$2.7 million and \$0.7 million, respectively. The increase at the Bridgeport project is due to cash provided by operating activities exceeding cash used in capital and related financing activities. The increase at the Mid-Connecticut project is due to cash provided by operating activities exceeding cash used in capital and related financing activities, net of funds used to partially defease the remaining Mid-Connecticut Project 1996 Series Bonds; and
- Interest earned on current restricted cash and cash equivalents (\$1.7 million); offset by:
- Decreased Revenue Fund balance at the Southeast project of \$2.1 million due to delayed receipt of electric revenue as of June 30, 2007.

The fiscal year 2006 decrease from 2005 was primarily due to:

- A \$5.2 million transfer of funds, including \$0.5 million of interest income, to current unrestricted assets as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators; offset by:
- Increased reserve cash balances of \$0.8 million at the Bridgeport, Mid-Connecticut, and Southeast projects as a result of contributions toward reserve cash requirements; and
- Funds released to current restricted assets by the Trustee for \$0.6 million from the non-current restricted Mid-Connecticut Debt Service Reserve Fund for the amount in excess of the Bond Resolution reserve funding requirement; and
- Interest earned on current restricted cash and cash equivalents (\$0.3 million).

**Non-current assets** decreased by \$46.4 million or 18.0% over fiscal year 2006, which decreased by \$15.0 million or 5.5% compared to fiscal year 2005. The fiscal year 2007 decrease is primarily due to:

- Restricted cash and cash equivalents decreased by \$30.5 million primarily due to:
  - Funds used to partially defease the remaining Mid-Connecticut Project 1996 Series A Bonds (\$29.9 million); and
  - Regular principal and interest payments due on State loans to the Mid-Connecticut project (\$3.5 million); offset by:
  - Increased reserve cash balance of \$1.1 million at the Mid-Connecticut project as a result of contribution toward reserve cash requirement; and
  - Interest earned on non-current restricted cash and cash equivalents (\$2.4 million).



The fiscal year 2006 restricted cash and cash equivalents decrease of \$1.3 million compared to fiscal year 2005 was primarily due to:

- Regular principal and interest payments on State loans (\$3.4 million) plus road construction costs and a major overhaul for one of the jet turbines (\$0.8 million) at the Mid-Connecticut project; and
  - Funds released by the Trustee for \$0.6 million from the Mid-Connecticut Debt Service Reserve Fund to current restricted assets for the amount in excess of the Bond Resolution reserve funding requirement; offset by:
  - Interest earned on non-current restricted cash and cash equivalents (\$2.5 million); and
  - Increased reserve cash balance of \$1.0 million at the Mid-Connecticut project as a result of contribution toward the Energy Generating Facility Reserve.
- Investments increased by \$0.8 million or 100% over fiscal years 2006 and 2005 due to the purchase of U.S. Treasury Bills for landfill trusts during fiscal year 2007 with maturities over three months.
  - Capital assets, net decreased by \$15.4 million compared to fiscal year 2006, which decreased by \$12.7 million compared to fiscal year 2005. The fiscal year 2007 decrease is due to depreciation expense of \$17.2 million offset by \$1.8 million in plant improvements, equipment purchases, and construction in progress. The fiscal year 2006 decrease was due to depreciation expense of \$16.8 million and an asset write-off with a net book value of \$192,000 offset by \$4.3 million in plant improvements, equipment purchases, and construction in progress.
  - Development and bond issuance costs decreased by \$1.3 million compared to fiscal year 2006, which decreased by \$1.0 million compared to fiscal year 2005. The fiscal year 2007 decrease is due to amortization expense and the write-off of unamortized bond issuance costs related to the Mid-Connecticut defeasance of debt. The fiscal year 2006 decrease was due to amortization expense.

## LIABILITIES

**Current liabilities** increased by \$40.6 million or 127.9% compared to fiscal year 2006, which decreased by \$2.0 million or 5.9% compared to fiscal year 2005. The fiscal year 2007 increase is primarily due to:

- Increased net current portion of closure and postclosure care of landfills (\$9.2 million) due to higher costs anticipated to be incurred at the Hartford landfill within the next twelve months; and
- Increased accounts payable and accrued expenses (\$31.2 million) due to a ruling in the New Hartford suit (\$35.8 million) and settlement costs associated with the Ellington landfill settlement at the Mid-Connecticut project (\$1.2 million) partially offset by a write-off of over charges previously recorded as liabilities payable to one of the Mid-



Connecticut operators (\$2.2 million) plus the disbursement of funds for goods and services received.

The fiscal year 2006 decrease from 2005 was primarily due to decreased other liabilities (\$4.6 million) as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators offset by increased accounts payable and accrued expenses (\$2.6 million).

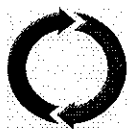
**Long-term liabilities** decreased by \$34.6 million or 28.8% compared to fiscal year 2006, which decreased by \$4.4 million or 3.5% compared to fiscal year 2005. The fiscal year 2007 decrease is due to:

- Long-term portion of bonds payable, net decreased by \$56.7 million compared to fiscal year 2006. The fiscal year 2007 decrease is due to regular principal payments due on Authority bonds (\$3.1 million) and the partial defeasance of the remaining Mid-Connecticut Project 1996 Series A Bonds in July 2006 (\$54.1 million) offset by the write-off of unamortized deferred amounts on the related debt (\$0.5 million).

The fiscal year 2006 decrease from 2005 of \$2.7 million was due to regular principal payments due on Authority bonds.

- State loans payable decreased by \$2.6 million over fiscal year 2006, which decreased by the same amount over fiscal year 2005. The fiscal year 2006 and 2005 decreases are due to regular principal payments on State loans.
- Closure and postclosure care of landfills increased by \$24.7 million compared to fiscal year 2006. The fiscal year 2007 increase is primarily due to:
  - Increased projected costs at all five landfills (\$34.6 million). The increase in projected costs at the Ellington, Shelton, Wallingford and Waterbury landfills is due to increased administration costs. The increase in projected costs at the Hartford landfill is primarily due to Authority assumption for the responsibility of all closure and postclosure care costs and increased administration costs at the landfill; offset by:
  - Increased net current portion of closure and postclosure care costs (\$9.2 million), which is classified under current liabilities; and
  - A reduction in the long-term liability accounts as a result of payments for postclosure care costs at the Ellington, Shelton, and Wallingford landfills (\$0.7 million).

The fiscal year 2006 increase over 2005 of \$1.1 million was primarily due to an increase in projected costs at the Shelton landfill (\$1.6 million) as a result of increases in general engineering and maintenance services offset by a reduction in the long-term liability accounts



as a result of payments for postclosure care costs at the Ellington, Shelton, and Wallingford landfills (\$667,000).

**SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS**

Net Assets may serve over time as a useful indicator of the Authority's financial position.

	Fiscal Years Ended June 30,		
	(In Thousands)		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 180,514	\$ 180,093	\$ 168,941
Operating expenses	<u>188,149</u>	<u>148,449</u>	<u>137,443</u>
(Loss) income before depreciation and amortization and other non-operating revenues and (expenses)	(7,635)	31,644	31,498
Depreciation and amortization	<u>18,189</u>	<u>17,850</u>	<u>17,864</u>
(Loss) income before other non-operating revenues and (expenses), net	(25,824)	13,794	13,634
Non-operating revenues, net	<u>13,309</u>	<u>7,872</u>	<u>75,927</u>
(Loss) income before special items	(12,515)	21,666	89,561
Special items:			
Gain on sale of Enron claims	-	-	28,502
Early retirement/defeasance of debt	<u>(1,148)</u>	<u>-</u>	<u>(6,128)</u>
(Decrease) increase in net assets	(13,663)	21,666	111,935
Total net assets, beginning of year	<u>252,434</u>	<u>230,768</u>	<u>118,833</u>
Total net assets, end of year	<u>\$ 238,771</u>	<u>\$ 252,434</u>	<u>\$ 230,768</u>

**Operating revenues** increased slightly by \$0.4 million or 0.2% during fiscal year 2007 over fiscal year 2006 and \$11.2 million or 6.6% from fiscal year 2005 to fiscal year 2006. The fiscal year 2007 increase is primarily due to a write-off of over charges previously recorded as liabilities that has been written-off as other operating revenue during fiscal year 2007, which is offset by a decrease in tipping fees at the Mid-Connecticut project, lower than expected solid waste deliveries by members at all four operating projects and decreased recycling sales. The fiscal year 2006 increase was primarily due to a \$4.6 million increase in service changes due to increased member and contract deliveries, a \$4.1 million increase in energy sales primarily due to an increase in contract rates and an increase in recycling sales due to the favorable recycling sales market.

**Operating expenses** increased during fiscal year 2007 by \$39.7 million or 26.7% primarily as a result of a settlement agreement by which the Authority assumes the liability, contingent upon certain conditions, for all of the Hartford landfill closure and postclosure costs and increased administration costs at all five landfills. Other cost increases relate to the Ellington landfill settlement, increased contract operating charges at the Bridgeport project due to the depletion of the municipal share fund, which was used to offset processing costs, and increased legal costs at



the Bridgeport and Mid-Connecticut projects due to on-going legal activity and an arbitration dispute with the Bridgeport project facility operator. Operating expenses increased during fiscal year 2006 by \$11.0 million or 8.0% as a result of higher processing costs at the Bridgeport project due to additional contract waste deliveries, increased project costs for general engineering and maintenance services at the Shelton landfill, increased operating costs at the Mid-Connecticut project due to unplanned repairs at the Waste Processing Facility, and additional export costs incurred at the Wallingford project due to a transformer failure at the plant. Higher legal costs were also incurred at the Bridgeport and Mid-Connecticut projects due to on-going legal activity.

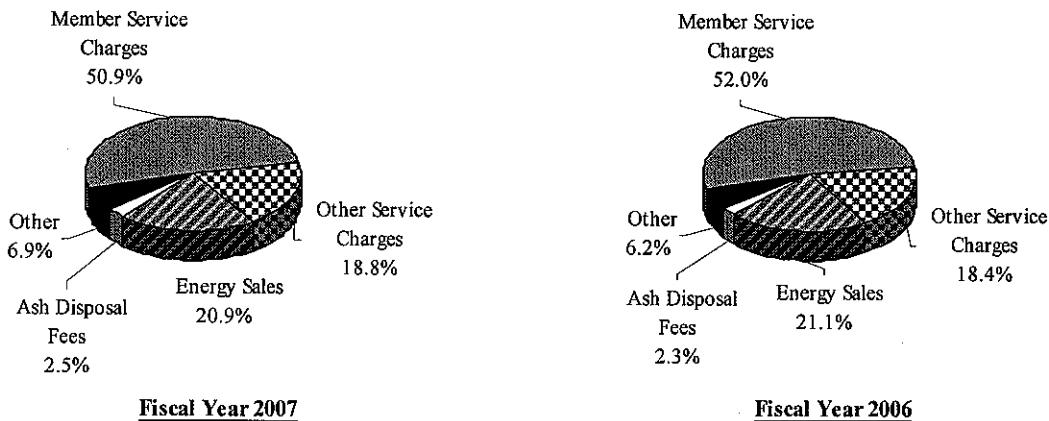
**Depreciation and amortization** remained fairly constant, decreasing by \$339,000 and \$14,000 over fiscal years 2006 and 2005, respectively.

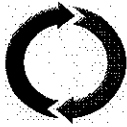
**Non-operating revenues, net** increased by \$5.4 million during fiscal year 2007 primarily due to \$40.2 million litigation-related settlements, a \$3 million grant from the CTDEP as reimbursement of costs previously incurred by the Authority in the closure of the Shelton landfill, a settlement with one of the Mid-Connecticut operators for several claims related to the operation of waste-to-energy system at the Mid-Connecticut project, increased investment income, and lower interest expense offset by \$35.8 million in litigation-related judgment, a \$1.15 million settlement costs associated with the Ellington landfill settlement and decreased other income. Non-operating revenues, net decreased by \$68.1 million during fiscal year 2006 primarily due to Enron claims of \$82.8 million received in fiscal year 2005 offset by increased investment income, lower interest expense, and increased other income.

**Special item –Defeasance of debt:** The fiscal year 2007 special item is attributable to the write-off of unamortized amounts such as bond issuance costs and other deferred amounts related to the Mid-Connecticut 1996 Series A Bonds, which were partially defeased, during fiscal year 2007. There was no such special item incurred during fiscal year 2006.

**SUMMARY OF OPERATING REVENUES**

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2007 and 2006:





During fiscal year 2007, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 72.2% of the Authority's operating revenues. Energy sales make up another 20.9% of operating revenues. During fiscal year 2006, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 72.7% of the Authority's operating revenues. Energy sales make up another 21.1% of operating revenues.

A summary of operating revenues and non-operating revenues (including the special item for the fiscal year ended June 30, 2005), and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

**SUMMARY OF OPERATING, NON-OPERATING REVENUES AND SPECIAL ITEM**  
**Fiscal Years Ended June 30,**  
**(In Thousands)**

	2007	2006	2007 Increase/ (Decrease) from 2006	2007 Percent Increase/ (Decrease)	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	\$ 91,848	\$ 93,513	\$ (1,665)	(1.8%)	\$ 91,894	\$ 1,619	1.8%
Other service charges	33,917	33,186	731	2.2%	30,223	2,963	9.8%
Energy sales	37,857	37,945	(88)	(0.2%)	33,798	4,147	12.3%
Ash disposal reimbursement	4,485	4,229	256	6.1%	4,025	204	5.1%
Other operating revenues	12,407	11,220	1,187	10.6%	9,001	2,219	24.7%
<b>Total Operating Revenues</b>	<b>180,514</b>	<b>180,093</b>	<b>421</b>	<b>0.2%</b>	<b>168,941</b>	<b>11,152</b>	<b>6.6%</b>
<b>Non-Operating Revenues:</b>							
Litigation-related settlements	40,225	-	40,225	-	-	-	-
Enron claims settlement	-	-	-	-	82,760	(82,760)	(100.0%)
Investment income	8,888	7,664	1,224	16.0%	4,471	3,193	71.4%
Other income	4,073	5,980	(1,907)	(31.9%)	1,884	4,096	217.4%
<b>Total Non-Operating Revenues</b>	<b>53,186</b>	<b>13,644</b>	<b>39,542</b>	<b>289.8%</b>	<b>89,115</b>	<b>(75,471)</b>	<b>-84.7%</b>
<b>Special Item:</b>							
Gain on sale of Enron claims	-	-	-	0.0%	28,502	(28,502)	(100.0%)
<b>TOTAL</b>	<b>\$ 233,700</b>	<b>\$ 193,737</b>	<b>\$ 39,963</b>	<b>20.6%</b>	<b>\$ 286,558</b>	<b>\$ (92,821)</b>	<b>(32.4%)</b>

Overall, fiscal year 2007 total revenues increased by \$40.0 million or 20.6% over fiscal year 2006. Fiscal year 2006 total revenues decreased by \$92.8 million or 32.4% over fiscal year 2005. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$1.7 million in fiscal year 2007 and increased by \$1.6 million in fiscal year 2006. The fiscal year 2007 decrease reflects a decrease in the tipping fee enacted at the Mid-Connecticut Project and lower than expected solid waste deliveries at all four operating projects. The fiscal year 2006 increase reflects the increased tipping fee enacted at the Bridgeport and Wallingford projects.
- Other service charges to both contract towns and spot waste haulers, increased by \$0.7 million from fiscal year 2006 to 2007. This contrasts with a \$3.0 million increase from fiscal year 2005 to 2006. The fiscal year 2007 increase is due to availability as a result of

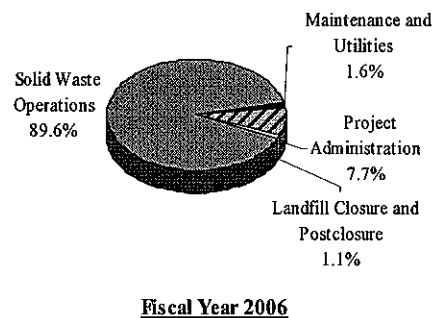
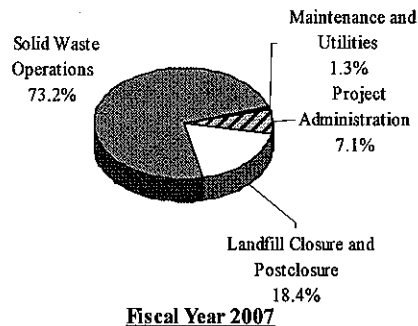


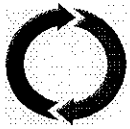
lower than expected member deliveries. The fiscal year 2006 increase was due to the continued efforts of the Authority to contract for additional waste at the Bridgeport project.

- Energy sales decreased slightly by \$88,000 during fiscal year 2007 and increased by \$4.1 million during fiscal year 2006. The fiscal year 2007 decrease reflects the lower energy rates in effect during fiscal year 2007 in accordance with the two-year energy purchase agreement at the Mid-Connecticut project and decreased electricity generation. The fiscal year 2006 increase reflects the higher energy rates at the Mid-Connecticut and Wallingford projects.
- Other operating revenues increased by \$1.2 million in fiscal year 2007 and \$2.2 million in fiscal year 2006. The fiscal year 2007 increase is due to the write-off of over charges previously recorded as liabilities payable to one of the Mid-Connecticut operators, which has been written-off as other operating revenue, offset by decreased recycling sales. The fiscal year 2006 increase was the result of favorable recycling sales markets.
- Litigation-related settlements of \$40.2 million represent settlements of various Enron-related lawsuits during fiscal year 2007. There were no such gains during fiscal year 2006.
- Investment income increased \$1.2 million from fiscal year 2006 to 2007 and \$3.2 million from fiscal year 2005 to 2006 due to improved investment rates and increased balances.
- Other income of \$4.1 million for fiscal year 2007 represents the \$3.0 million grant from the CTDEP for landfill closure costs previously incurred by the Authority to close the Shelton landfill (see "Landfill Activity" section herein), a settlement with the Mid-Connecticut operators for several claims related to the operation of waste-to-energy system at the Mid-Connecticut project (\$434,000, at present value), gains on sales of equipment (\$192,000), and miscellaneous income (\$447,000). Other income of \$6.0 million for fiscal year 2006 represents indirect costs and workers compensation insurance overcharged by one of the Mid-Connecticut operators in prior fiscal years (\$5.0 million), proceeds from insurance for loss on an asset due to an accident (\$378,000), gains on sales of equipment (\$312,000), and miscellaneous income (\$283,000).

**SUMMARY OF OPERATING EXPENSES**

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2007 and 2006:





Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 73.2% of operating expenses in fiscal year 2007. During fiscal year 2006, Solid Waste Operations accounted for 89.6% of operating expenses.

A summary of operating expenses and non-operating expenses (including the special items for the fiscal years ended June 30, 2007 and 2005), and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

**SUMMARY OF OPERATING, NON-OPERATING EXPENSES AND SPECIAL ITEMS**  
**Fiscal Years Ended June 30,**  
**(In Thousands)**

	2007	2006	2007 Increase/ (Decrease) from 2006	2007 Percent Increase/ (Decrease)	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)
<b>Operating Expenses:</b>							
Solid waste operations	\$ 137,767	\$ 133,026	\$ 4,741	3.6%	\$ 126,322	\$ 6,704	5.3%
Maintenance and utilities	2,401	2,313	88	3.8%	2,037	276	13.5%
Landfill closure and postclosure	34,639	1,629	33,010	2026.4%	180	1,449	805.0%
Project administration	13,342	11,481	1,861	16.2%	8,904	2,577	28.9%
<b>Total Operating Expenses</b>	<b>188,149</b>	<b>148,449</b>	<b>39,700</b>	<b>26.7%</b>	<b>137,443</b>	<b>11,006</b>	<b>8.0%</b>
<b>Depreciation</b>	<b>18,189</b>	<b>17,850</b>	<b>339</b>	<b>1.9%</b>	<b>17,864</b>	<b>(14)</b>	<b>-0.1%</b>
<b>Non-Operating Expenses:</b>							
Litigation-related judgment	35,800	-	35,800	-	-	-	-
Litigation-related settlement	1,150	-	1,150	-	-	-	1
Interest expense	2,693	5,677	(2,984)	(52.6%)	10,022	(4,345)	(43.4%)
Other expenses	234	95	139	146.3%	3,166	(3,071)	(97.0%)
<b>Total Non-Operating Expenses</b>	<b>39,877</b>	<b>5,772</b>	<b>34,105</b>	<b>590.9%</b>	<b>13,188</b>	<b>(7,416)</b>	<b>(56.2%)</b>
<b>Special Items:</b>							
Early Retirement/Defeasance of Debt	1,148	-	1,148	-	6,128	(6,128)	(100.0%)
<b>TOTAL</b>	<b>\$ 247,363</b>	<b>\$ 172,071</b>	<b>\$ 75,292</b>	<b>43.8%</b>	<b>\$ 174,623</b>	<b>\$ (2,552)</b>	<b>(1.5%)</b>

The Authority's total expenses increased by \$75.3 million or 43.8% between fiscal year 2007 and 2006. Fiscal year 2006 total expenses decreased by \$2.6 million or 1.5% from fiscal year 2005. Notable differences between the fiscal years include:

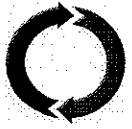
- Solid waste operations increased by \$4.7 million from fiscal year 2006 to 2007 primarily due to:
  - Operating expenses at the Bridgeport project increased due to the depletion of the municipal share fund, which was previously used to offset processing costs; and
  - Operating expenses at the Southeast project increased due to a distribution of funds to the Southeastern Connecticut Regional Resources Recovery Authority for future expenses, partially offset by a reduction in the service fee paid by the Authority to the operator as a result of higher electric contract rates; offset by:



- Operating expenses at the Mid-Connecticut project decreased due to a reduction of the recycling operating charges per a new operating agreement, a reduction in the solid waste assessment as a result of a favorable ruling from the Department of Revenue Services and lower natural gas consumption for the odor control system as the result of a capital upgrade. These decreases were partially offset by increased operating costs at the Hartford landfill and Waste Processing Facility relating to capital upgrades at the facilities and increased marketing costs for a recycling campaign to increase recycling rates; and
- Operating expenses at the Wallingford project decreased due to lower waste export costs.

Solid waste operations increased by \$6.7 million from fiscal year 2005 to 2006 primarily due to:

- Operating expenses at the Mid-Connecticut project increased significantly due to unplanned repairs at the Waste Processing Facility. Operating expenses for the Power Block Facility, Recycling Facility and Jets also increased due to inflation increases. In addition, the Authority recorded a write-off of spare parts inventory during fiscal year 2006; and
- Operating expenses at the Bridgeport project increased primarily due to the additional contract waste deliveries; and
- Operating expenses at the Wallingford project increased as a result of additional export costs incurred due to a transformer failure at the plant and higher fuel costs, offset by:
  - Decreased operating expenses at the Southeast project due to higher electric contract rates, which is an offset to the service fee paid by the Authority to the operator.
- Maintenance and utilities expenses remain fairly constant, increasing by \$88,000 during fiscal year 2007 primarily due to capital improvements at the Bridgeport project transfer stations. During fiscal year 2006, maintenance and utilities increased \$276,000 primarily due to a one-time expense for the removal of a fence and other miscellaneous expenses at the Hartford landfill.
- Landfill closure and postclosure costs increased by \$33.0 million between fiscal year 2006 and 2007 primarily due to the Authority's assumption for the responsibility of all closure and postclosure care costs at the Hartford landfill and increased administration costs at all five landfills. Between fiscal years 2005 and 2006, landfill closure and postclosure care costs increased by \$1.4 million due to increased projected costs as a result of increases in general engineering and maintenance services at the Shelton landfill.



- Project administration costs increased \$1.9 million during fiscal year 2007 over fiscal year 2006 and \$2.6 million during fiscal year 2006 over fiscal year 2005. During fiscal year 2007, this increase is due to higher legal expenses as a result of the continued legal activity associated with the Enron-related lawsuits at the Mid-Connecticut project as well as an arbitration dispute with the facility operator and the on-going project negotiations at the Bridgeport project. During fiscal year 2006, this increase was due to higher legal expenses as a result of on-going legal activity associated with the Enron-related lawsuits at the Mid-Connecticut project as well as the future option studies and on-going arbitration at the Bridgeport project, plus the addition of a part-time educator at the Stratford museum and a full-time enforcement employee for the Wallingford project.
- Litigation-related judgment increased by \$35.8 million during fiscal year 2007 as a result of the ruling in the New Hartford suit. There was no such expense incurred during fiscal year 2006.
- Litigation-related settlement of \$1.15 million represents costs associated with the Ellington landfill settlement during fiscal year 2007. There was no such expense incurred during fiscal year 2006.
- Interest expense decreased by \$3.0 million during fiscal year 2007 and \$4.3 million during fiscal year 2006 due to decreases in the principal amount of bonds outstanding.
- Other expenses during fiscal years 2007 and 2006 of \$234,000 and \$95,000, respectively, represent trustee fees, letter of credit fees and miscellaneous expenses.
- Defeasance of debt occurred during fiscal year 2007 and is discussed on page 9 of this MD&A.

## CAPITAL ASSETS

The Authority's investment in capital assets for its activities as of June 30, 2007 and 2006 totaled \$156.3 million and \$171.7 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, roadways, equipment, gas and steam turbines, rolling stock and vehicles. The total fiscal year 2007 and 2006 decrease in the Authority's investment in capital assets was 9.0% and 6.9%, respectively. The decrease is due to depreciation expense offset by plant improvements, equipment purchases, and construction in progress.

Major capital asset events during the current and immediate prior two fiscal years included vehicle and equipment purchases, conveyor rebuilds, floor repairs, building/leasehold improvements, replacement of trommel screens, jets repairs and overhaul, installation of a free blow system, installation of a fly ash system, and road reconstruction.

