

**Finance Committee
November 10, 2005 Regular Meeting**

Draft Minutes

Members Present: Andrew Sullivan, Committee Chairman
Raymond O'Brien, Committee Vice-Chairman
Benson Cohn
James Francis
Edna Karanian
Mark Lauretti (present until 10:50 a.m.)

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Bronisz, Director of Finance & Assistant Treasurer
Robert Constable, Controller
Lynn Martin, Risk Manager
Kristen Greig, Secretary to the Board/Paralegal

Chairman Sullivan called the meeting to order at 9:30 a.m. and noted that there was a quorum.

Chairman Sullivan requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited.

1. Approval of Minutes of the October 20, 2005 Finance Committee Meeting

Chairman Sullivan requested a motion to accept the minutes of the October 20, 2005 Finance Committee meeting. The motion was made by Director Cohn and seconded by Director Karanian.

The motion previously made and seconded was approved unanimously.

2. Finance Committee Recommendation to Board of Directors Regarding Insurance Consulting and Broker Services Agreement

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

RESOLVED: That the Chairman, Vice-Chairman or President of CRRA is hereby authorized to execute the Insurance Consulting and Broker Services Agreement with Aon Risk Services for the period January 1, 2006 through December 31, 2008 for a total fixed fee as presented and discussed at this meeting.

Director Francis seconded the motion.

Vice-Chairman O'Brien asked if the Vice-Chairman of the Board is authorized to execute contracts on behalf of CRRA. Mr. Bolduc responded that the Vice-Chairman could be removed from the resolution if the Committee preferred. Chairman Sullivan agreed and noted that the recommendation to the Board would read:

RESOLVED: That the Chairman or President of CRRA is hereby authorized to execute the Insurance Consulting and Broker Services Agreement with Aon Risk Services for the period January 1, 2006 through December 31, 2008 for a total fixed fee as presented and discussed at this meeting.

Ms. Martin gave a thorough explanation of the RFP process. Ms. Martin informed the Committee that two brokers were chosen for interviews, excluding Marsh because CRRA has had extensive experience with their service and their price was rather prohibitive.

Ms. Martin noted that it was very difficult to decide on a recommendation between Aon and H. D. Segur. Ms. Martin said that, if price were the only factor, CRRA would have selected H. D. Segur. However, the selection committee felt that the specialization and depth of experts at Aon outweighed the price consideration. Ms. Martin pointed out that CRRA has significant environmental and public officials exposure and the lower priced firm just did not have the expertise to get the best prices from insurers and offer the best advice. Ms. Martin stated that, based on H. D. Segur's price, she was not certain that the firm had a full understanding of CRRA's needs.

Chairman Sullivan stated that he personally reviewed the proposals because of the price difference. Chairman Sullivan said that the staffing level at Segur is significantly lower than what would be needed by CRRA. Ms. Martin agreed and noted that there were only 70 employees in total at H.D. Segur. Chairman Sullivan referred the Committee to the technical review found on Exhibit A and pointed out that Aon's score was 36.05 as compared to H. D. Segur's score of 28.05. Chairman Sullivan stated that one would expect Marsh's technical review score to be high because they have a significant amount of experience with CRRA. Chairman Sullivan stated that he supported the recommendation of Aon because they appear to have a clearer understanding of CRRA's needs.

Chairman Sullivan stated that CRRA budgeted \$350,000 for these services, based on Marsh's prices during the previous three-year term. Chairman Sullivan stated that Marsh is making some organizational changes in response to their recent legal challenges and noted that Aon also set up a fund for reimbursement of commission payments. Chairman Sullivan emphasized that CRRA is certain that there are no commission payments included in the fixed \$450,000 fee. Ms. Martin agreed and added that the draft contract specifically prohibited contingent commissions and the prohibition was also confirmed verbally with both firms.

Director Karanian noted that she was concerned that H. D. Segur offered the services of two partners that had no particular expertise in environmental protection. Director Karanian stated that the firm seemed to lack expertise in the one area that was most necessary to CRRA and said that the price could be a reflection of the training that would have to happen to meet CRRA's needs. Ms. Martin said that H. D. Segur informed CRRA that they would also rely on the insurers to give H. D. Segur the expertise they need.

Director Cohn noted, for the record, that H. D. Segur is the broker that was chosen by his insurance company for his personal insurance. Director Cohn added that he agreed with management's recommendation.

Vice-Chairman O'Brien stated that, if Marsh is changing its organizational structure because of recent events and Aon was in the same situation, it concerned him that Aon's price was still so much lower. Mr. Bolduc explained that CRRA talked to Marsh directly after their proposal was submitted and Marsh indicated that it was a business strategy to work on a stand alone basis, only targeting large-tier companies. Mr. Bolduc speculated that Aon is being more competitive in an attempt to capture the market for medium-sized companies in response to Marsh's changes. Mr. Bolduc stated that he believes that H. D. Segur is very good at general liability and other general areas of insurance, but said that the firm does not have the experience in specialty areas such as environmental. Mr. Bolduc said that he weighed which firm had the experience to get CRRA the best premiums and could get the best contract terms at the best price.

There was a detailed discussion about the last paragraph on page 3 of the presentation regarding the need to add members to the staff if the services of broker/consultant were not utilized. Director O'Brien said that he was concerned that CRRA was overstating the services being provided by the broker. Mr. Bolduc explained that CRRA might not need all of those services on a full-time basis, but CRRA would require a level of expertise in specific areas that could not be provided on a part-time or contracted basis. Mr. Bolduc said that the presentation would be clarified to expand on what loss control services were needed and how attorney services would be utilized under this agreement.

Director Francis asked if CRRA has the ability to negotiate with Aon on price. Ms. Martin stated that CRRA went back to Aon and H. D. Segur requesting them to refine their prices and the prices submitted to the Committee were the final numbers. Ms. Martin noted that Aon's original bid was \$470,000.

Director Karanian said she was pleased to see that the technical review was performed prior to seeing the prices.

The motion previously made and seconded was approved unanimously.

3. Finance Committee Recommendation to Board of Directors Regarding the Adoption of the Fiscal Year 2007 General Fund Operating and Capital Budget

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

RESOLVED: That the fiscal year 2007 General Fund Operating and Capital Budget be adopted substantially in the form as presented and discussed at this meeting.

Director Francis seconded the motion.

Vice-Chairman O'Brien, referring to Payroll Related Items on page 3, asked for clarification between items 1 and 2 and said that he is not certain why the benefits are increasing 14% when the payroll is not increasing by the same percentage. Mr. Constable explained that item 1 reflected a percentage of the base salary. Mr. Bolduc added that item 2 includes benefits that are not in correlation with base salaries such as payments for medical, dental, and vision coverage. Mr. Bolduc explained that the 14% was the estimate provided to CRRA by R.C. Knox. Vice-Chairman O'Brien requested that the section be clarified to indicate that.

Director Lauretti stated that he would not support such a significant increase based on projections as far removed as 2007. Chairman Sullivan asked if Director Lauretti had seen comparable increases in Shelton. Director Lauretti responded that Shelton had seen increases, but not increases as significant as 14% from one year to the next. Mr. Bolduc noted that CRRA has been aggressive in trying to mitigate the costs of benefits by increasing employee contributions. Director Lauretti suggested that perhaps the base plan should be changed. Mr. Bolduc stated that the plans have been thoroughly reviewed and noted that there have not been any improvements made to account for the increase. Mr. Bolduc said that the number is only an estimate and when the time comes to sign up for any benefits coverage, CRRA goes to bid and the options will be reviewed by the Organizational Synergy & Human Resources Committee. Mr. Bolduc explained that CRRA's broker will analyze changes in coverage and pricing and a recommendation would be made based on those factors.

Director Lauretti stated that once a figure was budgeted, and the budget becomes a public document, everyone knows how much CRRA has to spend. Director Lauretti asked if CRRA is allowed to put items in contingencies. Chairman Sullivan noted that putting significant amounts in a contingency line item is not transparent to the towns and could raise questions regarding what that money is being used for. Vice-Chairman O'Brien agreed that CRRA should consider placing this item under a contingency line item. Mr. Constable responded that CRRA has a general contingency line item in the budget this year and it was decided that this item would be placed in the contingency line item with a note of what items are included in the contingency.

There was a lengthy discussion regarding the timing of receiving quotes in relation to the timing of budgets. In this discussion, Mr. Bolduc noted that the General Fund budget has to be completed prior to the Project budgets as the Project budgets have items that are contingent on the figures from the General Fund budget. Vice-Chairman O'Brien suggested trying to change the renewal date on future insurance policies to a fiscal-year basis rather than a calendar-year basis to allow the estimates to be generated closer to the actual start date of the policies.

Vice-Chairman O'Brien noted that there is a projected 2% base salary increase and 4% for performance-based increases. Vice-Chairman O'Brien stated that those figures indicate that all employees would be receiving 6% increases and said that he did not believe that all employees would be receiving 4% performance-based increases. Mr. Kirk agreed and added that CRRA budgets 6% for potential increases. Mr. Kirk explained that the Organizational Synergy & Human Resources Committee and management wanted to be able to give financial recognition for exemplary performance because there had been essentially no performance-based impact on raises for the last four years. Vice-Chairman O'Brien said that he would also include this line item in the contingency line with a narrative that indicates that a figure for performance-based increases is included in that lump figure. A brief discussion regarding the performance-based increase plan ensued.

Vice-Chairman O'Brien asked what has been spent to date on training expenses. Mr. Constable referred the Committee to page 8 and stated that CRRA has budgeted approximately \$5,000 per department for FY06. Mr. Constable stated that not much of that has been spent to date, but noted that several people were signed up for upcoming seminars. Mr. Kirk added that there would also be sexual harassment and diversity training for employees. Mr. Constable stated that he believed that CRRA would be under-budget at the end of the year. Vice-Chairman O'Brien stated that he would like details on the increase from \$44,000 to \$65,000 for training with an itemization of projected expenses, especially if the full amount of \$44,000 budgeted for FY06 will not be spent.

Brief discussions ensued regarding several other line items in the budget including insurance and vehicle expenses.

The motion previously made and seconded was approved unanimously.

4. Finance Committee Recommendation to Board of Directors Regarding the Adoption of the Fiscal Year 2007 Connecticut Resources Recovery Authority Southeast Project Operating and Capital Budgets

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

RESOLVED: That the fiscal year 2007 Connecticut Resources Recovery Authority Southeast Project Operating and Capital Budgets be adopted as substantially presented and discussed at this meeting.

Director Karanian seconded the motion.

Mr. Constable explained that there is a CRRA portion of the Southeast Project budget that is first adopted by the CRRA Board. After approval, CRRA then submits that portion of the budget to the Southeastern Connecticut Regional Resource Recovery Authority (SCRRA), which is incorporated into the overall Southeast Project budget for adoption by the SCRRA board. Mr. Constable stated that the tip fee is based on the overall budget that is adopted by SCRRA. Mr. Constable said that CRRA meets with SCRRA prior to bringing the CRRA portion of the budget to the CRRA Board to make sure they are in agreement with CRRA's portion. Vice-Chairman O'Brien asked if the SCRRA board had any comment on the CRRA portion of the budget. Mr. Constable responded in the negative and noted that the Project will start realizing surpluses due to increased electricity rates. Mr. Constable noted that there is a projected surplus in FY07 that SCRRA plans to put into a future use reserve.

Mr. Constable gave a thorough explanation of the budget, including an overview of line items that fall under the purview of CRRA. Mr. Constable stated that there are no significant changes to the CRRA portion of the budget and said that SCRRA intends on maintaining the tip fee at \$60.00. Mr. Constable noted that there was a lengthy discussion at the SCRRA meeting regarding the use of the projected surplus.

The motion previously made and seconded was approved unanimously.

5. Informational

Mr. Bolduc noted that starting next month a projection would be included in the Variance Report. Vice-Chairman O'Brien asked what would account for the increase in the interest income. Ms. Bronisz responded that interest rates increased above projections resulting in an underestimate of the amount of interest for this fiscal year. Mr. Constable added that there were also increases in fund balances due to surpluses, which accounted for some of the additional interest income. For the Mid-Connecticut Project operating assumptions, Vice-Chairman O'Brien asked if there was an explanation for the difference between the projected and actual tonnage of process residue. Mr. Kirk responded that the change in the size of holes on the screens was a factor in the difference and there were also performance-related issues with MDC. Mr. Kirk said that the additional retention time of the waste in the trommels increased the amount of process residue more than anticipated. There was a brief discussion regarding the impact of rain on municipal solid waste tonnage.

Mr. Bolduc gave a brief overview of the inventory procedure used and stated that inventory would be kept current with a systematic schedule of inventory audits. Mr. Bolduc stated that the Mid-Connecticut project inventory was completed this year and updates would be provided to the Committee as audits were completed.

ADJOURNMENT

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

The meeting was adjourned at 11:03 a.m.

Respectfully submitted,

Kristen B. Greig
Secretary to the Board/Paralegal