

**Finance Committee
December 14, 2006 Regular Meeting**

Draft Minutes

Members Present: Michael Pace, Board Chairman
James Francis, Committee Chairman
Raymond O'Brien, Committee Vice-Chairman
Benson Cohn
Edna Karanian
Mark Laretti (present beginning at 9:45 a.m.)

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Floyd Gent, Director of Operations
Laurie Hunt, Director of Legal Services (present beginning at 10:40 a.m.)
Bettina Bronisz, Assistant Treasurer & Director of Finance
Robert Constable, Controller
Paul Nonnenmacher, Director of Public Relations
Kristen Greig, Secretary to the Board/Paralegal

Chairman Francis called the meeting to order at 9:35 a.m. and noted that there was a quorum.

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

1. Approval of Minutes of the November 16, 2006 Finance Committee Meeting

Chairman Francis requested a motion to accept the minutes of the November 16, 2006 Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Karanian. Chairman Pace, Chairman Francis, and Director Cohn abstained. The minutes were approved as presented.

2. Review and Recommend for Board Approval – General Fund Budget and Establishment of IT Capital Reserve

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

RESOLVED: That the fiscal year 2008 General Fund Operating and Capital Budgets be adopted substantially in the form as presented and discussed at this meeting.

FURTHER RESOLVED: That a reserve be established to cover future information technology costs.

The motion was seconded by Chairman Pace.

Vice-Chairman O'Brien requested that the two sections of the resolution be voted on separately.

Mr. Bolduc noted that there was discussion at the previous meeting regarding the Solid Waste Plan Administration. Mr. Bolduc explained that the General Fund budget includes \$980,000 to fund projects, such as various feasibility studies, that are anticipated to be needed as a result of the Solid Waste Management Plan ("SWMP"). Mr. Bolduc stated that recycling efforts would have to increase significantly to get from the recycling current rate of approximately 20% to the goal of 49%. Mr. Bolduc stated that the SWMP would not put mandates on CRRA, but CRRA's role would be to put plans together so the towns will have the infrastructure and information necessary to be able to increase recycling. Mr. Bolduc noted that the General Fund is allocated among the Projects, and the Southeast Project portion was approved by the Southeastern Connecticut Regional Resources Recovery Authority Board at its last meeting.

Mr. Bolduc informed the Committee that the purpose of the IT reserve was to avoid paying for replacing all of the equipment in one year. The reserve would allow the expense to be spread over the course of two years.

Chairman Pace noted that over the past few years, CRRA has made a business decision to set up reserves to keep the organization solid. Chairman Pace stated that CRRA is now being criticized for having reserves as part of the business plan, so to set up another reserve right now, while it may make good business sense, may not make good legal sense. Chairman Pace said that he would like to protect the towns' money from those who may have other motives. Mr. Bolduc responded that he tries to look at the company from a fiscal perspective, not in reaction to "outside noise." Mr. Bolduc stated that CRRA is obligated to keep costs down, be responsible to legislative mandates, and provide the towns with a stable tip fee. Mr. Bolduc said that reserves are necessary to avoid significant fluctuations in the tip fee, which would be very detrimental to the towns.

Chairman Pace agreed that reserves make business sense and have been effective, but said that he does not want to see the towns' money that is set aside in reserves be less attorney's fees if the reserves become an issue in litigation. Chairman Pace added that reserves set up for good business purposes, and to stabilize the tip fees, are being looked at for distribution and said that he does not want to put another significant amount of cash into one of those reserves in question.

Mr. Bolduc stated that creating and utilizing reserves is the fiscally responsible action to take. Mr. Bolduc said that if CRRA does not create reserves, the tip fee will be unstable, so the decision to create reserves is defensible as well as a good business practice.

Vice-Chairman O'Brien stated that by financing initiatives related to the Solid Waste Management Plan, CRRA is asking CRRA towns to pay for projects that will benefit the entire state, before the legislature is even given a chance to develop funding sources. Vice-Chairman O'Brien said that the legislature has an obligation to fund the plan and decide who will be responsible for its administration. Vice-Chairman O'Brien added that some of the proposed

activities, such as removing items from the waste stream, should be pursued by CRRA regardless of their connection to the SWMP, but overall, the burden of administration of the SWMP should not be borne by only CRRA and 2/3 of the towns in the State. Mr. Bolduc noted that the proposed activities were not the actual building of facilities, but mostly research and feasibility studies. Mr. Bolduc said that it is possible to ensure that the balance of towns that did not fund these initial projects pay some sort of surcharge to reimburse the towns that did provide funds. Mr. Bolduc stated that if CRRA does take the initiative on this, towns that are associated with CRRA, as well as non-CRRA towns, will receive the benefit.

Director Karanian asked how important the timing is on this initiative. Mr. Gent responded that this budget will take CRRA through June of 2008, so if funds are not included in this budget, funds will not be available until July of 2008. Mr. Gent stated that this might be a problem because there are some towns that are currently exploring future options.

Chairman Pace reiterated that he does not want to establish another reserve at this point in time. Director O'Brien stated that he was under the impression that this would not be a reserve, but an operating budget. Mr. Constable agreed and said that because this falls under the General Fund budget, any unused expenditures would be returned to the Projects' budget at a prorated share.

Chairman Pace pointed out that the SWMP is still not finalized and until CRRA knows what DEP's priorities are and what funding mechanisms are available, it is too early to commit funds to this initiative. Mr. Bolduc stated that he understands the hesitation to commit to this, but said that by not taking the initiative, CRRA runs the risk of being criticized for not fulfilling its obligation to explore new options. Chairman Pace said that CRRA has alternative plans in place as part of its strategic plan and until the DEP policy is solid, those alternatives should be sufficient. Chairman Pace added that once DEP's policy is firmly established, CRRA can then become the pragmatic arm to assist with the administration.

Vice-Chairman O'Brien withdrew his original motion and made a motion that the resolution regarding the General Fund budgets be brought to the Board without a recommendation from the Committee because the issues at hand are Board policies. Director Karanian seconded the motion. The motion previously made and seconded was approved unanimously.

There was a brief discussion regarding the IT reserve, where Chairman Francis asked for confirmation that \$50,000 from the FY08 budget would be used to establish the reserve and then would be expended in the next fiscal year. Mr. Constable confirmed and said that an additional \$50,000 would be used from the FY09 operating budget for replacement of IT equipment. Chairman Pace said that, for such a small amount of money, he would rather see the whole amount be funded from the FY09 budget.

Vice-Chairman O'Brien withdrew his original motion and made a motion that the resolution regarding certain project reserves be approved, but that the contribution to the reserves shown on page 7, be eliminated and shown as a contingency in the overall budget. Vice-Chairman O'Brien noted that the reserve would not be funded this fiscal year. Chairman Pace seconded the motion.

Mr. Bolduc asked if the Committee would be willing to consider recommending the General Fund budgets less the Solid Waste Plan Administration portion, which could be discussed in full at the Board meeting.

Having voted with the prevailing side, Vice-Chairman O'Brien made a motion to reconsider the motion regarding the General Fund budgets. Director Karanian seconded the motion. The motion previously made and seconded was approved unanimously.

Vice-Chairman O'Brien made a motion to recommend the approval of the General Fund budgets, with the exception of the Solid Waste Plan Administration portion, which will be forwarded to the full Board without recommendation from the Committee. Chairman Pace seconded the motion.

There was a brief discussion regarding specific line items of the budget, including training, debt service, telecommunications, and contingency.

Director Francis asked for confirmation that there are three new positions in this budget. Mr. Constable confirmed and added that the positions are two part-time scale operator positions and one part-time billing administrator as recommended by CRRA's auditors. Mr. Constable noted that the need for the billing administrator is still being reviewed. Chairman Pace pointed out that CRRA has a cap on the number of employees and said that it should be carefully weighed whether these part-time employees are the best use of that cap. Chairman Francis added that right now the billing functions are being performed by two employees, but based on the auditor's recommendation, that work will be done by two and a half employees, which does not seem very efficient. Mr. Constable stated that the part-time billing administrator would also assist with enforcement administration and added that CRRA would perform a cost-benefit analysis prior to making that change. Mr. Constable said that he would like to have the option in place in case it is determined that the additional employee would be beneficial to the organization and noted that the position would be brought to the Organization Synergy & Human Resources Committee for review. There was a lengthy discussion regarding the enforcement/scale employees in which Vice-Chairman O'Brien requested quantitative data on the turn-over rates of that position.

The motion previously made and seconded was approved unanimously.

3. Discussion regarding Request for Additional Year-End Audit Expenditures

Mr. Bolduc explained that Carlin, Charron & Rosen informed CRRA at the conclusion the audit that additional, unanticipated costs in the amount of \$12,000 were incurred. At that time, Mr. Bolduc asked for a breakdown of where the costs were incurred and agreed to present the information to the Committee for review.

Mr. Bolduc reviewed the breakdown and said that while some of the costs were understandable, there were others that he did not support. For example, the costs for attending the Finance Committee should have been anticipated and included in the original proposal. Regarding the costs for the GASB 18, Mr. Bolduc explained that there was an issue with post-

Project liabilities, which required more time and research than originally anticipated, which justifies the additional cost.

Mr. Bolduc stated that he felt a payment for the following items was reasonable: Legal Letters, Reviewing Draft Financials, Adjustments, and Accounting for GASB 18. The Committee agreed that paying the above-mentioned costs, at approximately \$5,000, was reasonable.

4. Executive Session

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

Tom Kirk
Jim Bolduc
Bettina Bronisz
Rob Constable
Laurie Hunt, Esq.

The Executive Session commenced at 10:55 a.m. and concluded at 12:00 p.m.

The meeting reconvened at 12:00 p.m. and Chairman Francis noted that no votes were taken during Executive Session.

5. Informational

Chairman Pace referred the Board projected surplus in the Mid-CT portion of the Financial and Variance report and noted that there was a projected surplus of \$12,900,000. Chairman Pace asked if any surplus remaining at the end of the fiscal year could be used as a rebate or to offset next year's tip fees. Mr. Bolduc responded in the negative and explained that the indenture stated that the surplus has to be used the following year (FY09) as long as the indenture and Municipal Service Agreements are in place. Chairman Pace stated that he would be satisfied with that and then CRRA can be even more aggressive in reducing tip fees next year. Then the surplus from FY07 can be used to support tip fee reductions and future needs in FY09 with the possibility of having funds remaining for a rebate. Chairman Pace stated that he does not want to lose this opportunity to service the municipalities and look at all ways of returning as much benefit to the towns as possible, even if that benefit is a hybrid between lower tip fees and a rebate. Mr. Kirk agreed and said it is CRRA's intention to return as much benefit to the towns as soon as possible.

ADJOURNMENT

Chairman Francis requested a motion to adjourn the meeting. The motion made by Director Cohn and seconded by Director Karanian was passed unanimously.

The meeting was adjourned at 12:15 p.m.

Respectfully submitted,

Kristen Greig
Secretary to the Board/Paralegal