

Finance Committee
July 21, 2005 Regular Meeting

Draft Minutes

Members Present: Michael Pace, Board Chairman
Raymond O'Brien, Committee Vice-Chairman
Benson Cohn
Jim Francis
Edna Karanian
Mark Laretti (present via telephone from 9:40 a.m. to 10:30 a.m.)

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Bronisz, Director of Finance & Assistant Treasurer
Floyd Gent, Director of Operations
Laurie Hunt, Director of Legal Services
Lynn Martin, Risk Manager
Donna Tracy, Executive Assistant
Kristen Greig, Secretary to the Board/Paralegal

Vice-Chairman O'Brien called the meeting to order at 9:30 a.m. and noted that there was a quorum.

Vice-Chairman O'Brien requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited.

1. Approval of Minutes of the May 19, 2005 Finance Committee Meeting

Vice-Chairman O'Brien requested a motion to accept the minutes of the May 19, 2005 Finance Committee meeting. The motion was made by Director Francis and seconded by Director Cohn.

The motion previously made and seconded was approved unanimously.

2. Approval of Minutes of the June 29, 2005 Finance Committee Meeting

Vice-Chairman O'Brien requested a motion to accept the minutes of the June 29, 2005 Finance Committee meeting. The motion was made by Chairman Pace and seconded by Director Karanian.

The motion previously made and seconded was approved. Directors Cohn and Francis abstained as they were not present at the meeting.

3. Informational

MARSH

Mr. Bolduc indicated that he had two items he wanted to discuss with the Board. The first item was regarding Marsh, CRRA's insurance broker. Mr. Bolduc stated that CRRA had received an e-mail from Marsh indicating that there had not been much interest in bidding for the CRRA insurance contract over the last several years. Mr. Bolduc explained that last year only Zurich and AIG responded to the bid request. Mr. Bolduc said that Zurich had a very strong interest, but CRRA ended up selecting AIG because they reduced their premium by 26% while increasing coverage limits and because of the fact that AIG was heavily involved with current CRRA issues. Mr. Bolduc stated that it seemed logical to stay with AIG.

Mr. Bolduc said that Marsh raised a concern centered on the amount of effort and capital companies are spending to submit a bid. As a result, Mr. Bolduc explained that Marsh is recommending not going to bid for this year's contract, but approaching AIG to see what their pricing will be. Mr. Bolduc said that if AIG's proposal was "out of bounds", then CRRA would follow through with a formal bidding process.

Mr. Bolduc summarized that CRRA insurance policies expire on October 1, 2005 and said that CRRA has typically had trouble getting carriers to bid this time of year because insurance carriers want to write new policies the month before policies expire. Mr. Bolduc explained that CRRA would like to start accepting bids in August so that the bid information can come to the Finance Committee in September and be approved by the Board prior to the October 1st start date.

Mr. Bolduc said that he and Mrs. Martin had discussed trying to get a two-year contract, but carriers do not bid for two-year contracts. Mr. Bolduc referred to Director Francis, pointing out that Director Francis likely deals with the same issue in his position with the Town of West Hartford. Director Francis agreed and said that he was surprised that Marsh was suggesting that CRRA should not go to the market every year. Director Francis said Marsh should offer CRRA multi-year bids if they do not want the organization to go to the market every year.

Mr. Bolduc stated that what Marsh was trying to say was that CRRA does have to go to the market, but was asking if CRRA has to go through a formal RFP process. Mr. Bolduc said that the long-term implication would be that eventually CRRA would only get AIG to bid. Mr. Bolduc added that CRRA needs to be sensitive to this because if there is not an active market, CRRA could lose other potential bidders. Mr. Bolduc explained that premiums were driven down considerably last year because CRRA was able to get more bids. Mr. Bolduc summarized that CRRA would like to go with Marsh's recommendation and test the market with AIG, but if it did not look AIG's premiums were competitive, CRRA would issue an RFP. If AIG's rates were competitive, CRRA would not have the time to come back to the Committee, go through the RFP process and have policies in place by October 1. Mr. Bolduc indicated that Mr. David Ross from Marsh would be available should the Board have any questions.

Chairman Pace asked Director Cohn if this would be in violation of CRRA policies. Director Cohn stated that it would be if CRRA did not try to get competitive pricing every year. Director Cohn said that since that was CRRA's intent, it would not be an issue. Mr. Bolduc

stated that it was CRRA's intent to get a competitive price, but the question was if CRRA had to go through the complete RFP process. Director Cohn stated he believed CRRA is required to put this out to bid.

Director Karanian asked if some of the investment that Zurich made last year would be usable again to complete a new bid. Mr. Bolduc replied that some of the information can be used from year to year, but because things change so rapidly, most issues would need to be completely redone. Mrs. Martin added that there is a lot of turnover in underwriting and companies typically do not save the material from year to year.

Vice-Chairman O'Brien asked if, under CRRA procedures, CRRA included a one-year renewal provision in this contract, if that would this answer the concern that Director Cohn has regarding going to bid. Director Cohn replied in the negative stating that the price is likely to be different and it denies CRRA the chance to test the market to see if there are other carriers out there who will bid. Vice-Chairman O'Brien stated that CRRA is bound by the procedures that CRRA has in place and suggested that management go out to bid. Vice-Chairman O'Brien added that CRRA verify Marsh's comments about the difficulty of going to bid every year with other quasi-public agencies. Vice-Chairman O'Brien continued, stating that once this information was obtained, it should be presented to the Policies & Procurement Committee. If the Policies & Procurement Committee deemed it reasonable and the information supports management's suggestion, the policy could be amended. Director Cohn agreed and added that CRRA could also talk to the state purchasing board.

There was a detailed discussion regarding the possibility of getting three-year bids. Mr. Kirk asked if CRRA would have been at an advantage with a three-year policy. Mrs. Martin responded that the carriers simply will not write a three-year policy. Mr. Kirk noted that the one-year policies worked in CRRA's favor over the last couple of years due to the decrease in premiums.

Chairman Pace asked if the carriers based their premium based on their experience with CRRA. Mrs. Martin explained that premiums were based on what the carriers assess CRRA's exposure to be. Chairman Pace asked if CRRA's level of exposure has increased. Mrs. Martin responded that she did not think so because everything is essentially the same. Chairman Pace asked if CRRA's current carrier is the only carrier willing to bid on CRRA's policies, if that carrier will raise the premiums significantly. Mrs. Martin responded in the negative and said that if Marsh found that were the case, they would immediately go to bid.

LEGAL EXPENDITURE SUMMARY REPORT

Mr. Bolduc noted that a revised Legal Expenditure Summary Report was distributed to the Committee because CRRA received additional information from a firm after the package was distributed. Mr. Bolduc explained that there were outstanding FY04 bills that were not received in the correct fiscal year. Vice-Chairman O'Brien asked for confirmation that CRRA was reserving for any FY05 invoices that had not yet been paid. Mr. Bolduc confirmed. Attorney Hunt explained that the invoices were not accrued in FY04 because the Director of Legal Services position was vacant. Mr. Bolduc said that the Report was informational for the Finance Committee and stated that the updated resolution would be brought to the next Board meeting. Director Cohn recommended that the reason for the increase be explained at the Board meeting.

Vice-Chairman O'Brien requested a motion to suspend the rules to add approval of this item to the agenda. The motion made by Director Francis and seconded by Chairman Pace was approved unanimously.

Vice-Chairman O'Brien requested a motion to recommend the increase in the Halloran & Sage line item from \$270,000 to \$325,000 to the Board of Directors and to endorse the recommendation of the Policies & Procurement Committee with regard to the request for increases. Director Cohn made the motion, which was seconded by Director Francis. The motion previously made and seconded was approved. Director Cohn abstained from the vote because his cousin is a partner at Cohn, Birnbaum & Shea and she has done legal work for him.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Vice-Chairman O'Brien said that he would like to acknowledge the receipt of the Certificate of Achievement for Excellence in Financial Reporting. Vice-Chairman O'Brien said that he would like this item placed on the agenda for the Board meeting following the receipt of the plaque to acknowledge the Accounting department's efforts.

FINANCIAL AND VARIANCE REPORT

Chairman Pace pointed out that Mid-Connecticut deliveries continue to be below budget and asked for an update on the enforcement process. Mr. Gent explained that there has been an overall reduction in the waste stream because the summer has been dryer than usual. Mr. Gent added that there also may have been leakage of waste outside of the Project. In response, enforcement personnel were brought in and waste was coming back into the Project. Mr. Gent informed the Committee that haulers were put on notice if they were in violation of their contract.

Mr. Gent said that the enforcement effort was set back due to vacancies and staff turnover. Mr. Kirk added that when management requested the establishment of the enforcement positions, they underestimated the number of hours it would take to operate the scales in addition to performing enforcement duties. Mr. Kirk explained that the present arrangement has the enforcement personnel working forty to fifty hours per week in the scales and it was difficult to find adequate time to devote to enforcement. Chairman Pace asked what the cost benefit would be to hiring an additional person for enforcement. Mr. Gent stated that some very good people have been hired to fill the vacancies and those people are currently being trained. Mr. Gent said that after those people are trained he would be able to determine if another person would be necessary, or if the task could be accomplished by other means, such as hiring someone on a temporary basis.

Mr. Gent explained that there were three main functions performed by the enforcement personnel: 1.) Inspecting loads dumped on the floor to be sure they are acceptable; 2.) Inspecting loads to see if the load is non-member waste or if the waste is misrepresented; 3.) Preventing leakage. Mr. Gent said that if the enforcement personnel are on the floor inspecting loads, they cannot be following trucks to their delivery locations. Mr. Kirk said that management is hesitant to hire additional employees for this purpose because if there was a team of dedicated employees, the leakage would likely stop almost immediately and the team would then be

overstaffed. Vice-Chairman O'Brien suggested contracting for this work. Mr. Kirk said that is an option that is being considered.

Director Karanian asked what type of analysis was done to determine which haulers might be leaking waste outside of the Project. Mr. Kirk said that each individual truck was monitored to be able to identify decreases in tons delivered. Mr. Kirk gave the example that if one route decreased by one hundred tons, CRRA would like to see another route increase by a proportionate amount. If that is not the case, then CRRA has to question where those tons went and tracking would be necessary. Mr. Gent explained that there were also seasonal variables to consider. Mr. Gent said that CRRA sorts by towns first and that data is provided to the towns and then totals for each hauler were reviewed. Mr. Gent explained that the review went a step further to compare deliveries by hauler on a town-by-town basis. Mr. Kirk noted that there were only a few haulers that actually have the capability to leak waste out of the system.

Vice-Chairman O'Brien asked if reports for the September meeting would reflect the twelve months of the actual fiscal year. Mr. Bolduc responded in the affirmative and added that the actual audited statements would be available.

Vice-Chairman O'Brien noted that the Mid-Connecticut Project was under budget for deliveries, but process residue was 36% higher than the projection that was based on the projected tonnage and asked why that was. Mr. Kirk said that changing the screen size on the trommels has had a dramatic effect on the process residue. Mr. Gent responded that the projections were based on historical data from the one inch holes. Mr. Gent said that he anticipated an increase, but said the increase was much more than originally anticipated. Mr. Gent said that there have also been other changes affecting the amount of process residue such as a change in the hammers being used by MDC and an increased diligence by MDC in cleaning the trommels. Mr. Kirk also added that MDC is running slower, which tends to make the screen process more efficient. Mr. Kirk explained that MDC is processing substantially fewer tons per hour, which increases the amount of process residue because it is not moving through the trommel as quickly. Vice-Chairman O'Brien said that those numbers do not seem to affect the generation of electricity and said that the generation more closely reflects the reduction in tonnage. Mr. Gent said that the concern with process residue is that there is limited space in Hartford so he would like to see the process residue level come back to a more historical level to buy time at Hartford and avoid the cost of having to landfill the residue. Vice-Chairman O'Brien said he would like more information on the discrepancy between the tons processed, the electricity generated and the process residue that has been rejected. Mr. Kirk stated that performance on the waste processing end does not affect the output of electricity because the electric plant is always running full out. Mr. Kirk stated that the analysis was more complex than just comparing the tonnage, the generation, and the process residue because quite often the cost of dealing with process residue is less than dealing with diversion.

Vice-Chairman O'Brien asked what the budget was based on for this fiscal year. Mr. Gent responded that he believed the budget assumed thirteen or fourteen percent process residue rejection.

Chairman Pace noted that the deliveries at the Bridgeport Project were substantially higher than the projections and said that their ash generation was below budget. Chairman Pace asked if there was something being done differently at the Bridgeport Project as opposed to Mid-

Connecticut. Mr. Gent said he was not certain why the ash generation was different, but said that the reason why the deliveries were higher was because Stamford waste was now accepted at the Bridgeport Project. Vice-Chairman O'Brien asked that the explanation be included in the analysis. Chairman Pace stated that was important information for the Board to have.

Vice-Chairman O'Brien pointed out that in the Mid-Connecticut summaries the numbers for the Surplus Deficit and the Surplus Deficit excluding Jets were identical. Vice-Chairman O'Brien stated that it looked as if the Jets should bring that number to a surplus. Mr. Bolduc stated that for the budget, the Jets were excluded in the calculation for the tip fee and any differences were handled through a reserve. Mr. Bolduc said that the report should probably show a \$10,000 amount on the first line.

SOURCE AND USE OF CASH FUNDS

Vice-Chairman O'Brien noted that on the Source and Use of Cash Funds report, CRRA started the year with \$3.5 million in cash and, through the year, added \$80.5 million and an additional \$8.7 million in Supplemental Sources. Vice-Chairman O'Brien noted that \$84 million in cash was used and asked where the \$3.5 million in cash from the beginning of the year was shown on the report. Mr. Bolduc explained that the \$4.4 reflected the activity of the actual fiscal year and said that if you looked at the \$3.5 million from the beginning of the year and added the \$4.4 million in activity, the \$7.9 million in cash was reflected in the June column. Mr. Bolduc agreed that the report was a bit misleading because the \$4.4 million was in the ending cash balance line.

ADJOURNMENT

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

The meeting was adjourned at 11:05 a.m.

Respectfully submitted,

Kristen B. Greig
Secretary to the Board/Paralegal