

**Finance Committee  
September 21, 2006 Regular Meeting**

**Minutes**

Members Present: Michael Pace, Board Chairman  
James Francis, Committee Chairman  
Raymond O'Brien, Committee Vice-Chairman  
Edna Karanian  
Mark Lauretti  
Theodore Martland

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

Also present: Lisa Janney and Kenneth Ayers of AON, Scott Trenholm of Carlin, Charron & Rosen, LLP

Chairman Francis called the meeting to order at 9:30 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 July 20, 2006 Finance Committee Meeting**

Chairman Francis requested a motion to accept the minutes of the July 20, 2006 Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Karanian.

Regarding the resolution on page 1, Chairman Pace requested that a footnote be inserted directing the reader to the resolution with the firm included on page 3.

In the second paragraph on page 4, Vice-Chairman O'Brien stated that "IRS" should be "DRS". The revised sentence reads, "Regarding the second issue, Mr. Constable said that, approximately one year ago, the DRS did an audit on solid waste assessments, which is the dioxin tax that CRRA pays for each of the projects."

The minutes as amended were approved. Director Martland abstained.

2. **Review and Recommend for Board Approval Resolution Regarding the Purchase of Commercial General Liability, Umbrella Liability, Pollution Legal Liability, Commercial Automobile Liability and Workers Compensation/Employers Liability Insurance**

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

**RESOLVED:** That CRRA's Commercial General Liability insurance be purchased from Ace (Illinois Union Insurance Company) with a \$1,000,000 limit, \$100,000 SIR for the period 10/1/06 – 10/1/07 for a premium of \$295,000, as discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA execute an agreement for Third Party Administration (TPA) services with ESIS, Inc. for the term 10/1/06 – 10/1/07 for an initial fee of \$10,600 and per claim costs as outlined in the proposal discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA's Umbrella Excess liability insurance be purchased from Ace (Illinois Union Insurance Company) with a \$25 million limit, \$100,000 retention for the period 10/1/06 – 10/1/07 for a premium of \$351,750, 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 10/1/06 – 10/1/07 for a premium of \$331,746; 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 five vehicles with a \$1,000 deductible, for the period 10/1/06 – 10/1/07 for a premium of \$81,025; and

**FURTHER RESOLVED:** That CRRA's Workers Compensation/Employers Liability insurance be purchased from Connecticut Interlocal Risk Management Agency (CIRMA) with a limit of \$1 million of Employers Liability insurance for the period 10/1/06 – 6/30/07 for a prorated premium of \$47,105. This policy includes mandatory TRIA coverage; and

**FURTHER RESOLVED:** That the Board of Directors endorses the comprehensive review by management of risk financing and risk transfer mechanisms as outlined in the materials to determine the most cost-effective program going forward.

The aggregate casualty premium is \$1,117,226 including all of the insurance outlined above and the initial cost of the required TPA for the period 10/1/06 – 10/1/07. CRRA's 2007 budget for these policies was \$921,705.

Chairman Pace seconded the motion.

Referring the Committee to Exhibit I, Mr. Bolduc noted that the \$25 million Pollution Legal Liability limit is a typographical error and stated that the limit is \$20 million. Mr. Bolduc stated that CRRA put a significant amount of effort into generating interest in the policies. Mr. Bolduc informed the Committee that AIG, who has been one of the main drivers in the renewal of these insurance programs in the past, would only submit a quote if outstanding issues could be resolved. Mr. Bolduc explained that there ended up being very limited interest in the policies and the quotes received have higher premiums, deductibles and self-insurance reserves. Mr. Bolduc added that the coverage on the pollution liability dropped from \$30 million to \$20 million.

Mr. Bolduc stated that the changes are clearly an indication of the market and added that it is possible that companies that are new to CRRA do not yet understand its business, making them hesitant to write the policies. Mr. Bolduc explained that CRRA would be looking into self-insurance and other alternative options to avoid being caught in a situation where there are either no acceptable quotes or no quotes submitted at all. Mr. Bolduc directed the Committee to the brief overview on page 4 of the package regarding some of the options that CRRA would analyze.

Ms. Martin pointed out that the documents provided summarize all of the markets contacted by AON in their effort to get quotes. Ms. Martin noted that the documents indicate that another quote was expected, but the carrier declined at the last minute, leaving CRRA with only one quote on the casualty policies.

Ms. Janney informed the Committee that AON started the renewal strategy in April. With discussions taking place regarding the possibility of AIG not renewing, AON spent a great deal of time learning about CRRA so they could present CRRA in the best light to insurance companies. Ms. Janney stated that there are very few underwriters in the world who will write environmental risk policies and said that all of the markets, including London and Bermuda, declined to quote, except ACE. Ms. Janney gave a brief overview of the various markets and their reasons for declining to quote, which included loss history, treaty restrictions, and underwriting guidelines, among others. Ms. Janney further briefly highlighted some of the alternatives to traditional insurance for funding losses.

Ms. Janney stated that ACE originally was going to decline, but careful negotiations proved successful in securing a quote. Ms. Janney noted that CRRA moved its public officials' coverage to ACE in the spring and said that a good relationship is developing with ACE.

Ms. Janney gave a detailed presentation on the coverage of each policy noting that the general liability policy requires a third party administrator ("TPA") to handle the required Self-Insured Retention. Ms. Janney explained that ACE owns a company, ESIS, which will act as TPA. To ensure CRRA was receiving the best price on the TPA, AON received quotes from three other companies and all three quotes were higher than the quote from ESIS.

Ms. Janney informed the Committee that the pricing for the automobile liability policy will remain nearly the same, with only a few minor changes in coverage. Ms. Janney added that there is a mandatory requirement that CRRA review motor vehicle reports of all employees.

Ms. Janney stated that the umbrella excess liability policy coverage would be reduced from \$30 million to \$25 million and noted that the workers' compensation policy would be with CIRMA. Ms. Janney said that even though CRRA's loss experience on the workers' compensation policy has been excellent, carriers do not want to underwrite the policy because there is a pending claim.

Chairman Pace asked if CIRMA was willing to consider submitting a quote for the other policies. Ms. Martin responded in the negative and added that CIRMA said that CRRA does not fit into CIRMA's underwriting guidelines. Chairman Francis noted that CIRMA is supposed to be the last resort for public entities.

Mr. Ayers explained that environmental risk drove this renewal, especially after AIG decided not to renew. Mr. Ayers said that there were only six carriers that will provide environmental risk coverage and one of those could only offer \$10 million in limits. Mr. Ayers stated that one of the hardest risks to write is a closed landfill, and because CRRA has four of them, the potential for claims is too high for most of the carriers. In a discussion regarding the timing of claims and whether a current or past carrier would be responsible, Mr. Ayers said that ACE has agreed to extend coverage back to 1996.

Mr. Ayers continued to discuss why other carriers declined to provide quotes on the pollution liability policy. Mr. Ayers pointed out that with ACE, aside from the drop in coverage from \$30 million to \$20 million, the major difference in the policy is that the retention is going from a \$100,000 per incident deductible to a \$1,000,000 per incident retention. Mr. Gent asked how much time would have to pass before a history of past claims was no longer an issue. Ms. Janney responded that loss history for five years is usually presented to underwriters, but underwriters could require between three and ten years.

Chairman Francis asked if his understanding was correct that the umbrella excess liability policy would not provide coverage for the pollution liability policy. Mr. Ayers confirmed and Ms. Janney added that there is an absolute pollution exclusion on the general liability and umbrella liability policies. Mr. Ayers noted that AON is still in the process of negotiating some of the endorsements on the pollution liability coverage.

Mr. Bolduc asked for a review of the legal defense cost limits on the various policies. Mr. Ayers responded that the defense cost limits are the same as the policy limits. Regarding the pollution liability policy, Chairman Pace asked if defense costs were included in the \$1,000,000 retention. Mr. Ayers responded that the \$1,000,000 included any combination of defense costs, settlement agreements and clean up. Chairman Pace asked if CRRA would be able to choose the attorney(s) while within the \$1,000,000 retention. Ms. Martin responded in the affirmative. Mr. Ayers recommended working with ACE to choose an attorney if there is a chance that the claim would exceed the \$1,000,000 because when ACE begins picking up the costs they have only certain rates they will agree to pay.

Director Martland stated that he is disappointed with the number of quotes received, especially for a policy such as workers' compensation. Director Martland said that he could understand the difficulties that go along with the pollution liability, but expected more interest could be garnered for the other policies. Mr. Bolduc stated that CRRA solicited numerous companies, but cannot force them to submit quotes. Mr. Bolduc explained that the insurance

companies probably look at the policies as a package, because there is not enough profit involved for them to write the smaller policies individually. Therefore, if the carrier cannot write the whole package, they will not expend the resources to underwrite only one policy. Director Martland stated that he would expect industry experts to come up with more aggressive and imaginative solutions to deal with that challenge. Mr. Kirk agreed that it is very frustrating not to have choices when it comes to insurance.

A lengthy discussion ensued regarding the alternative options that will be explored. In this discussion, Chairman Pace said he thinks it is wise to explore alternatives, but emphasized that CRRA is not an insurance company and said he would like the organization to remain focused on its core mission.

Chairman Pace asked where the funds for the amount exceeding the budget would come from. Mr. Bolduc pointed out that between these policies and the policies that were renewed in April, the total amount exceeding the projection is approximately \$29,000. Mr. Constable explained that the budget assumed that the Hartford Landfill would be closed for the entire year and the process residue would be exported at a higher cost. Since the landfill is still open and will be open until the spring, those savings will create a surplus.

Director O'Brien stated that the last "Further Resolved" should state that the Board endorses the recommendation by management for a comprehensive review. The Committee agreed.

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

### **3. Review and Recommend for Board Approval Resolution Regarding the Annual Financial Report for the Fiscal Year Ended June 30, 2006**

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

**RESOLVED:** That the Board hereby approves and endorses the Annual Financial Report for the Fiscal Year Ended June 30, 2006, substantially as discussed and presented at this meeting.

Director Martland seconded the motion.

Mr. Bolduc noted that there has been a minor change to the financials in the package regarding post-closure insurance, which would be included in the Board package. Mr. Bolduc referred the Committee to page 43 under the "Contingency" section and pointed out that CRRA is still waiting for some of the letters from CRRA's law firms regarding pending claims or exposures. Mr. Bolduc stated that there may be some minor changes to that section depending on the content of the letters.

Mr. Trenholm distributed draft reports that Carlin, Charron & Rosen ("CCR") anticipates issuing upon receipt of the remaining legal letters.

Mr. Trenholm explained that the “Independent Auditors’ Report” covers the financial reports, footnotes, and supplementary information such as the Management Discussion and Analysis. Mr. Trenholm reviewed the report in detail, noting that there is a delineation of responsibility with the financial statements being the responsibility of management and the opinion based upon those financial statements is the responsibility of CCR as the auditor. Mr. Trenholm stated that CCR was issuing an unqualified opinion, which extends to the attached schedules detailing the balance sheets of each project.

Mr. Trenholm referred the Committee to the report on Internal Control over Financial Reporting and Compliance on other Matters. Mr. Trenholm explained that this report, required by government auditing standards, requires the auditor to report any weaknesses with regard to control over financial reporting and to report any non-compliance of laws or regulations. Mr. Trenholm said that CCR came across a matter that is a reportable condition having to do with the Mid-Connecticut Project inventory. Mr. Trenholm noted that there had been management letter comments regarding this matter over the last couple of years. As a result of their participation in the observation of the physical inventory counts and the fact that there was a write-off that was fairly substantial in terms of the percentage of the inventory, CCR felt it was appropriate to present the internal control over the inventory as a reportable condition. Mr. Trenholm explained that this report details the condition, the effect of the condition, CCR’s view of the cause, and a recommendation. Mr. Trenholm said that CCR would be expecting a response regarding the corrective action plan and pointed out that CCR did not come to the conclusion that there was any theft or fraud involved with this matter. Mr. Trenholm stated that weakness seemed to be generated by poor record-keeping and poor policies and procedures with regard to the safe-keeping of the inventory.

Mr. Bolduc gave an update on the status of discussions with MDC regarding the inventory and listed some of the corrective actions being taken.

Mr. Trenholm stated that the second half of the letter concerns compliance with laws and regulations governing reporting and said that CCR did not find any non-compliance in the course of the audit.

Vice-Chairman O’Brien stated that the quality and thoroughness of this report reinforces management’s decision to go out to bid even when time was of the essence and the result was a good audit. Mr. Trenholm noted that the auditors compiled the letters just distributed, but Ms. Vo-Le and the accounting department compiled all of the statistical information.

Mr. Trenholm gave an overview of the compliance letter that discloses any non-compliance with the Mid-Connecticut Bond Indenture, in which he noted that CCR did not find anything that showed that the Authority failed to comply with the terms, covenants, provisions, or conditions of the resolution authorizing the issuance of the Mid-Connecticut bonds.

Mr. Trenholm reviewed the Required Communication Letter in detail, fully explaining each section and reviewed significant events such as the MDC arbitration. In this discussion, Mr. Trenholm noted that there were no disagreements with management on matters of accounting or auditing.

There was a brief discussion regarding future events and how they could affect CRRA's balance sheet. Potential changes at the Bridgeport and Wallingford Projects were discussed briefly and Mr. Kirk noted that post-project proformas would be available for the Strategic Planning Retreat.

The motion previously made and seconded was approved unanimously.

#### **4. Executive Session**

Chairman Francis requested a motion to enter Executive Session to discuss pending litigation. The motion was made by Vice-Chairman O'Brien and seconded by Director Martland. 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  
Rob Constable  
Lynn Martin

The Executive Session commenced at 11:15 a.m. and concluded at 11:41 a.m.

The meeting reconvened at 11:41 a.m. and Chairman Francis noted that no votes were taken during Executive Session.

#### **ADJOURNMENT**

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

The meeting was adjourned at 11:42 a.m.

Respectfully submitted,

Kristen Greig  
Secretary to the Board/Paralegal