

**Finance Committee  
January 19, 2006 Regular Meeting**

**Minutes**

Members Present: Andrew Sullivan, Committee Chairman  
Michael Pace, Board Chairman  
Raymond O'Brien, Committee Vice-Chairman  
Benson Cohn  
James Francis  
Edna Karanian  
Mark Lauretti (present by telephone beginning at 10:40 a.m.)  
Theodore Martland

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

Also present: Paul Rachmuth, Esq. of Anderson, Kill & Olick (Present until 9:55 a.m.)

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 November 10, 2005 Finance Committee Meeting**

Chairman Sullivan requested a motion to accept the minutes of the November 10, 2005 Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Francis.

The motion previously made and seconded was approved. Chairman Pace and Director Martland abstained as they were not present at the meeting.

**2. Anderson, Kill & Olick Presentation**

Chairman Sullivan thanked Attorney Rachmuth from Anderson, Kill & Olick for attending the meeting and informed the Committee that Attorney Rachmuth would be making a presentation regarding a request for a recapture of legal fees.

Attorney Rachmuth distributed a package of documents to the Committee. Attorney Rachmuth stated that when Anderson, Kill & Olick (“AKO”) started working for CRRA in 2002, a contract was negotiated with AKO’s standard hourly rates. In 2003, a bill was sent with updated rates and a discussion took place with CRRA’s former Director of Legal Services that the contract would have to be amended to reflect the new rates. At that time, CRRA’s Director of Legal Services asked AKO to hold their rates steady at the 2002 rate, and after some negotiation, an agreement was made to: 1.) hold rates steady at the 2002 rate; 2.) give a \$20,000 credit; 3.) acknowledge that if AKO was able to recover money through the Enron negotiations and litigation, the \$20,000 concession and the difference between the 2002 rates and the higher rates for the dates of services from 2003 forward would be paid by CRRA. Attorney Rachmuth noted that, in AKO’s opinion, the agreement was documented in e-mails between AKO and CRRA and was reached in June 2003. Attorney Rachmuth pointed out that because the agreement was not reached until June, AKO had already billed for six months at the 2003 rate. When the agreement was reached, AKO issued credits to CRRA for the difference between the 2002 and 2003 rates subject to the recapture agreement.

Attorney Rachmuth stated that during the period in question he was concentrating on the litigation and apologized for not dealing with the accounting issues. Attorney Rachmuth said that he thought everyone would agree that the outcome was successful between the settlement and the sale of the claim. Attorney Rachmuth recognized that the agreement never was formalized as an amendment to the contract.

Attorney Rachmuth said that AKO is not looking for anything unreasonable or any sort of premium over what AKO would have received under normal circumstances. Attorney Rachmuth informed the Committee that, because AKO handles bankruptcies, the firm submits its fees to be approved by courts and the recapture request is no different than what AKO would be seeking from any other client. Attorney Rachmuth said that it is important to AKO that the courts and clients know that AKO does not charge one client more than another. Attorney Rachmuth added that AKO is not trying to exploit a loophole or make legal arguments. The firm is only trying to show what the mutual understanding was at the time the agreement was made.

Chairman Sullivan stated that CRRA appreciates the efforts put in by Attorney Rachmuth and AKO and said he would like to give the Committee an opportunity to review and analyze the documents before making a recommendation. Chairman Sullivan noted that because the contract is through the Attorney General, there would also have to be communication with the Attorney General’s office before any recommendations could be agreed upon. Chairman Sullivan stated that CRRA management would contact Attorney Rachmuth when a determination has been made.

Chairman Pace stated that he appreciates all that AKO has done for CRRA and said that CRRA will look at this situation respectfully. Chairman Pace asked what the total fee request was to date. Attorney Rachmuth responded that, at the time of the original request, the total was approximately \$163,000, but said that the CRRA Board already paid \$20,000. Attorney Rachmuth noted that AKO has done work in 2005, such as opinion letters and other work in conjunction with Pepe & Hazard, which has been put through AKO’s normal billing system. Attorney Rachmuth said that he is presuming that whatever resolution is reached on the previous fees would also apply to the new invoices.

Chairman Sullivan stated that the Committee would be able to discuss the matter later in the meeting with the data that is available and a recommendation would be made to the Board.

Vice-Chairman O'Brien noted that if there was work done in 2005 that it was probable that work could continue into 2006 and asked if CRRA has AKO's 2006 rate schedule so it could be presented and approved to avoid this situation for any work done from this point forward. Attorney Hunt requested that Attorney Rachmuth forward those rates to her. Attorney Hunt also asked if there was any discussion of rates when AKO was contacted by the Attorney General's office for the additional work. Attorney Rachmuth responded in the negative.

Chairman Sullivan requested a motion to add an Executive Session to the agenda to discuss pending litigation and the Anderson, Kill & Olick recapture request. The motion made by Vice-Chairman O'Brien and seconded by Director Francis was approved unanimously. Chairman Sullivan noted that the Executive Session would take place after all other agenda items had been addressed.

### **3. Intermediary for Insurance Markets**

Mr. Bolduc explained that CRRA is beginning the bid process for Property & Casualty, Errors & Omissions, and Business Interruption insurance. Mr. Bolduc stated that CRRA needs to begin soliciting the various carriers through CRRA's broker, Aon. Mr. Bolduc said that Aon provided CRRA with a list of carriers that they would like to approach to solicit bids and two of those carriers are from out of the country. Mr. Bolduc informed the Committee that those carriers require the use of an intermediary because brokers are prohibited from contacting the carriers directly. Mr. Bolduc stated that CRRA could not be certain that these carriers would be interested in submitting bids, but in order to access the market, engagement of an intermediary would be necessary.

Mr. Bolduc said that Aon has its own in-house intermediary and Aon has provided CRRA with their rates. Mr. Bolduc added that he informed Aon that if CRRA was to engage an off-shore intermediary that is a subsidiary of Aon, he wanted the Finance Committee to be aware of it. Mr. Bolduc gave the rates for the intermediaries and said that Aon indicated that the rates are lower than the standard rates for those countries. Mr. Bolduc noted that if CRRA was going through Aon to get a bid from these intermediaries, Aon would not have a concern with errors and omissions of a third party. Mr. Bolduc said that if a third party was used, Aon could not guarantee a third party's work.

Mr. Bolduc noted that, for all of the U.S. carriers, there would be no additional fees.

Mr. Bolduc pointed out that CRRA has had problems getting carriers to submit bids in the past so Aon is trying to cast the net as wide as possible. Mr. Bolduc said that there may not be any interest from off-shore markets, but CRRA will not know that unless the organization can test the market. Chairman Sullivan stated that CRRA would not be at a loss for trying because if the premiums and intermediary fees were not economical and within the budget, that carrier would not be chosen.

Vice-Chairman O'Brien noted that the subsidiary relationship would be between the broker and the intermediary, not the broker and the bidders. Vice-Chairman O'Brien also stated

that the Finance Committee and Board would evaluate the merits of the bid submissions. Vice-Chairman O'Brien suggested presenting this information to the Attorney General's office because of previous lawsuits with insurance brokers. Vice-Chairman O'Brien said he would like to ensure that the Attorney General is informed of the protocol for soliciting bids from off-shore companies and to make it clear that CRRA wants to cast the net as wide as possible to secure the best rates possible for the shareholders. The Committee agreed.

**4. Review and Recommend for Board Approval Resolution Regarding the Adoption of the Fiscal Year 2007 Wallingford Operating Budget, Tip Fees 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 Wallingford Project operating budget be adopted as presented at this meeting.

**FURTHER RESOLVED:** That a fiscal year 2007 municipal solid waste tip fee of \$58.00 per ton be adopted for contracted member waste and a fiscal year 2007 municipal solid waste tip fee of \$69.00 per ton be adopted for non-contracted member waste.

**FURTHER RESOLVED:** That the fiscal year 2007 capital budget totaling \$420,000 be adopted as presented and discussed at this meeting.

**FURTHER RESOLVED:** That the permit fees for fiscal year 2007 be set at \$100 per permit.

Director Cohn seconded the motion.

Mr. Constable informed the Committee that the resolution was adopted by the Wallingford Policy Board at a meeting on January 10<sup>th</sup>. Mr. Constable said that the tip fee would increase by \$1.00 and noted that the budget assumes a \$3.8 million contribution to the future planning reserve. Mr. Constable stated that the operating costs are in line with historical numbers, with the exception of the installation of the fly ash system that will take place in FY07.

Vice-Chairman O'Brien stated that he thought that the Wallingford Project occasionally received waste diverted from other CRRA projects. Mr. Constable stated that there is a limited amount of spot waste that is delivered. Vice-Chairman O'Brien asked if CRRA was given a guaranteed tip fee for spot waste when waste is diverted into Wallingford. Mr. Constable responded that CRRA pays the member rate. Vice-Chairman O'Brien asked if that was in the agreement. Mr. Constable stated that there is no formal agreement, but said that it is understood with all of the Projects that each Project only pays cost. There was a brief discussion regarding diversion procedures and rates between the Projects.

Chairman Sullivan referred the Committee to page 9, regarding the tip fee stabilization fund, and asked how the fund grew from approximately \$7.6 million to \$13.8 million. Mr. Constable stated that the increase was due to a transfer of funds from one account to another.

Chairman Sullivan asked what funds are being added to the stabilization fund. Mr. Constable responded that interest is the only current source of funds.

Chairman Pace referred the Committee to page 5 and asked what the \$100,000 under the "Other Consulting" line item represented. Mr. Constable said that because the Project is in the process of doing future option studies \$100,000 was set aside in case the Policy Board wants to investigate any of those options in more detail. A lengthy discussion ensued regarding the post-project options for the Wallingford facility. In that discussion, Chairman Pace stated that he wanted to be sure CRRA and the Wallingford Policy Board were working together to find the best long-term use of that facility.

Director Karanian asked if the \$100,000 under the "Public Education" line item was for recycling awareness. Mr. Constable responded in the affirmative and noted that those funds would be used to educate people on how to recycle more to reduce the amount of waste being brought into the Wallingford facility and, in turn, reduce the amount of waste that has to be diverted. Director Karanian stated that it would be interesting to see how the money is used and how effective that approach is. Mr. Gent added that CRRA will be able to analyze the cost-benefit of the initiative and possibly adopt some of that process for use in other Projects.

The motion previously made and seconded was approved unanimously.

**5. Review and Recommend for Board Approval Resolution Regarding the Adoption of the Fiscal Year 2007 Bridgeport Operating Budget and Tip Fee**

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

**RESOLVED:** That the fiscal year 2007 Bridgeport Project Budget be adopted as presented at this meeting and that a fiscal year 2007 member tipping fee of \$70.00 per ton for the component of the fee based on actual deliveries and \$8.00 per ton for the portion of the fee based on minimum commitment tonnage be adopted.

**FURTHER RESOLVED:** That the Authority will actively pursue funds from the State Bond Commission to reimburse the project for closure costs of the Shelton Landfill.

**FURTHER RESOLVED:** That the Authority will pursue additional revenues either from the sale or use of the Waterbury Landfill in fiscal year 2007.

Director Martland seconded the motion.

Mr. Constable distributed a revised resolution and budget to the Committee and Mr. Kirk explained that the changes were made in response to requests made by the Solid Waste Advisory Board ("SWAB") at a meeting held the previous day. Mr. Kirk informed the Committee that the primary change is a \$2.00 reduction in the tip fee. Mr. Kirk said that, regardless of the requested reduction, the tip fee is increasing significantly because the municipal share component of the tip fee, which has been a supplement to the tip fee, will be fully depleted this year. In addition, Mr. Kirk stated that assumptions on post-Project costs, or liabilities that survive past the termination

date of the Project, have been revised upward. Mr. Kirk said that CRRA needs to increase the reserves for post-2008, when it will not be possible to assess the towns for liabilities associated with the Project.

Mr. Constable stated that the Bridgeport Project has been putting money in the operating account in anticipation of the depletion of the municipal share. Mr. Constable said that the FY07 budget assumes drawing approximately \$3 million from the operating account to offset the loss of the municipal share. Mr. Constable stated that another significant component was the increase in the post-closure estimates for the Shelton Landfill, both in insurance coverage and operating and maintenance for the next twenty-five years. Mr. Constable noted that without the \$3 million reserved in the operating account, the tip fee would have had to increase an additional \$7.00 per ton.

Mr. Constable noted that the SWAB Board would like one of their consultants to review the estimates for the closure and maintenance of the Shelton Landfill to confirm that the estimates are accurate. Mr. Constable added that the legislature passed an Act in 1999 that \$3 million be approved by the State Bond Commission for the closure costs of the Shelton Landfill and CRRA is attempting to initiate that process of securing those funds through the State Bond Commission.

Mr. Constable informed the Committee that the Project has some available capacity in the Waterbury Landfill. Mr. Constable said that between \$800,000 to \$1,000,000 in surplus revenues could be generated if that capacity was filled. Mr. Constable said that the SWAB Board felt that there were enough opportunities for revenue, including the funds from the State Bond Commission and the Waterbury Landfill, to lower the tip fee suggested by CRRA.

Mr. Constable gave a brief description of the Waterbury Landfill and the plan to fill the remaining capacity. Mr. Constable pointed out that the resolution was amended to acknowledge that the only controllable revenue was from the Waterbury Landfill, since there was no guarantee that the State Bond Commission would approve funds in fiscal year 2007.

Vice-Chairman O'Brien asked why there was no change to the fiscal year 2007 reserve contribution. Mr. Constable responded that the contributions would not be coming from the tip fee, but from the anticipated revenues from the Waterbury Landfill. Vice-Chairman O'Brien said that he would have a problem supporting this resolution without first having the assets to support the plan. Mr. Gent said that CRRA has two controllable assets: \$800,000 to \$1,000,000 worth of capacity at the Waterbury Landfill and 12 acres adjacent to the landfill that could be sold. Mr. Gent said that the SWAB Board is interested in finding out how much those 12 acres could be sold for.

Vice-Chairman O'Brien pointed out that CRRA abandoned the plan to expand the Hartford Landfill because of local opposition and asked if the plans for the Waterbury Landfill had been run by the leadership and public in Waterbury. Mr. Kirk responded that the plan has not been brought to those parties yet, but said that there are some key differences between the Waterbury and Hartford Landfills. Mr. Kirk stated that the Waterbury Landfill is an open, active landfill that would not require any permit modifications to use the remaining capacity, whereas Hartford would have required modifications. Mr. Constable added that it would only take approximately two months to fill the remaining capacity at the Waterbury Landfill. Vice-

Chairman O'Brien stated that he would vote against the resolution, but said he would consider changing his position at the Board meeting if Mayor Jarjura of Waterbury gives him assurance that there would not be any opposition from the Waterbury community. Chairman Pace said that he understands Vice-Chairman O'Brien's point and would like to extend the same courtesy to the City of Waterbury, as CRRA goes out of its way to do for Hartford.

Chairman Sullivan suggested including line items for the revenues and expenses from the bulky waste at Waterbury, which would be a positive net difference of \$635,000. Mr. Constable said that the \$635,000 would then show as a contribution to the post-closure reserve. Chairman Sullivan stated that even if the actual revenues were lower than the estimates, CRRA would not have unfunded reserves because only the actual amounts would be contributed to the reserve. Mr. Constable stated that would be revised for the Board meeting. Vice-Chairman O'Brien said that he would be satisfied with that but would still like to address the Waterbury Landfill issue with Mayor Jarjura.

Chairman Pace asked for more information on the 12 acres adjacent to the landfill. Mr. Gent stated that some members of the SWAB Board think that the Project could make more money by selling the active landfill and the adjacent 12 acres. Mr. Kirk said that CRRA management is not sure that is the best course of action, but the SWAB Board is going to get a consultant to evaluate the benefits. Chairman Pace stated that selling the property does not make sense to him.

Mr. Bolduc pointed out that it is important for the SWAB Board to understand that the tip fee can be set at \$70 per ton this year, but if the expected revenues are not generated, there is only 1½ years left to get the reserves where they need to be. Mr. Bolduc said that the SWAB Board has no inclination to fund anything beyond the close of Project, but CRRA has an obligation to make sure the funds are in place. Mr. Bolduc stated that if the revenues are not generated, the tip fee will have to increase in higher increments in future years.

Vice-Chairman O'Brien asked for confirmation that none of the figures in the budget were dependant upon the sale of the 12 acres. Mr. Constable said that was correct. Vice-Chairman O'Brien said that he would like "sale of" stricken out of the last paragraph of the resolution. The Committee agreed.

Vice-Chairman O'Brien stated that, when it is decided, he would like to know who will be charged with actively pursuing the funds mentioned in the resolution and what actions and timeline would go along with that responsibility.

The motion as amended was approved unanimously.

## **6. Informational**

There was no discussion on informational items.

## **7. Executive Session**

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

Mr. Kirk  
Mr. Bolduc  
Attorney Hunt

The Executive Session commenced at 10:51 a.m. and concluded at 11:49 a.m.

The meeting reconvened at 11:49 a.m. and Chairman Sullivan noted that no votes were taken during Executive Session.

## **ADJOURNMENT**

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

The meeting was adjourned at 11:50 a.m.

Respectfully submitted,

Kristen B. Greig  
Secretary to the Board/Paralegal