

**Finance Committee  
October 18, 2007 Regular Meeting**

**Draft Minutes**

Members Present: Michael Pace, 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  
Mike Tracey, Operations Manager, Construction Management  
Nhan Vo-Le, Director of Accounting  
Moirra Kenney, Secretary to the Board/Paralegal

Also present: Scott Trenholm of Carlin, Charron & Rosen, LLP

Director Francis called the meeting to order at 9:30 a.m. and noted there was a quorum.

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

**1. Approval of Minutes of the September 27, 2007 Finance Committee Meeting**

Director Francis requested a motion to accept the minutes of the September 27, 2007 Finance Committee meeting. The motion was made by Director O'Brien and seconded by Director Karanian. Director O'Brien asked if funds from prior settlements had been moved from the Treasurer's account into a STIF account, as detailed in a resolution presented to the Board on September 27, 2007. Mr. Bolduc explained the resolution was modified to move the funds, which totaled approximately \$2.0 million. The minutes were approved unanimously as presented.

**2. Review and Recommend for Board Approval Resolution Regarding the Reserve Analysis**

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

**WHEREAS**, the Authority has recorded the post closure liabilities on its financial statements as required by GASB18 for the Ellington, Hartford, Shelton, Wallingford and Waterbury landfills, negating the need for the “Board” designation; and

**WHEREAS**, the Authority has recorded the closure liabilities on its financial statements as required by GASB18 for the Hartford and Waterbury landfills negating, the need for the “Board” designation; and

**WHEREAS**, the Authority has recovered funds from the global litigation matters, which can be reserved to provide for a circumstance in which the Authority shall be required to pay additional amounts for associated legal expenses for which other funds may not be available; and

**WHEREAS**, the Authority has recovered funds from the global litigation matters, which can be reserved to provide for a circumstance in which the Authority shall be required by a final, non-appealable order of a court of competent jurisdiction to pay additional amounts as interest on the New Hartford judgment; and

**WHEREAS**, a restricted reserve is necessary to retain the prior year surplus, if any, for the Mid-Connecticut Project, which will be used in the next succeeding budget cycle as required by the Mid-Connecticut Project Municipal Solid Waste Services Contracts; and

**WHEREAS:** the Authority has performed an analysis of its Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container) reserve and has determined additional changes are necessary at this time; now therefore be it

**RESOLVED:** That individual Short Term Investment Fund (STIF) accounts be established for postclosure funds related to the Ellington, Hartford, Shelton, Wallingford and Waterbury landfills; and

**FURTHER RESOLVED:** That the funds from the existing Ellington, Hartford, Shelton, Wallingford and Waterbury landfill Board designated postclosure reserves be transferred into their respective STIF accounts; and

**FURTHER RESOLVED:** That the Ellington, Hartford, Shelton, Wallingford and Waterbury landfill Board designated postclosure reserves be dissolved; and

**FURTHER RESOLVED:** That individual Short Term Investment Fund (STIF) accounts be established for closure funds related to the Hartford and Waterbury landfills; and

**FURTHER RESOLVED:** That the funds from the existing Hartford and Waterbury landfill Board designated closure reserves be transferred into their respective STIF accounts; and

**FURTHER RESOLVED:** That the Hartford and Waterbury landfill Board designated postclosure reserves be dissolved; and

**FURTHER RESOLVED:** That there is hereby created a Litigation Reserve – Global case and that \$800,000 from the existing global bank settlements be transferred into this reserve for the circumstance the Authority shall be required pay additional legal expenses for which other funds may not be available; and

**FURTHER RESOLVED:** That there is hereby created a Litigation Reserve – New Hartford case and that balance of the existing global bank settlements be transferred into this reserve for a circumstance in which the Authority shall be required by a final, non-appealable order of a court of competent jurisdiction to pay additional amounts as interest for which other funds may not be available; and

**FURTHER RESOLVED:** That all of the funds from the Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container) (account balance as of June 30, 2007 was \$452,279) be deposited into the Hartford Landfill Postclosure STIF account.

The Committee and CRRA management reviewed the restricted and unrestricted reserves for the purpose of dissolving and/or re-designating certain funds. Director O'Brien expressed concern over the negative undesignated balance at the Bridgeport Project and asked how surplus would be defined for the purpose of using the funds the following year. Mr. Bolduc explained the 1.3 million is surplus from a prior period.

Mr. Constable explained the funds are not actually a surplus, but a net cost of operations, and that per the Municipal Solid Waste Management Services Agreement (hereinafter referred to as "MSA") there is no definition of the term surplus. The Committee agreed that the term surplus gives the incorrect idea that the funds aren't specifically earmarked. Mr. Kirk stated that in the past the funds were described as earnings, which was even more problematic. Director Karanian asked CRRA to place "in accordance with the MSA" in parenthesis whenever the word surplus is used to avoid any further misconceptions. Director Martland asked for clarification on who created the MSA. Mr. Bolduc explained CRRA and the towns created the MSA in the 1980's. It was agreed that the language of the resolution will be changed to reflect the definition of the word surplus with regard to the language of the MSA.

Mr. Bolduc stated that CRRA reclassified the closure and post-closure liabilities for the Bridgeport Project. Mr. Bolduc also explained that CRRA will place the funds in individual STIF accounts specifically earmarked for that activity for the Bridgeport Project, Hartford, and Waterbury Landfills.

Mr. Trenholm explained that the total unrestricted net assets, specifically for Mid-Conn and Bridgeport are not changing in amounts, but mixing in terms of composition of the assets and eliminating certain designations that the Board has made. Thereby creating an undesignated deficit. The numbers are now positive as a result of determining there is no need to put designations on net assets because the items have a liability already recorded on the balance sheet.

Mr. Bolduc explained the total unrestricted is still positive. Director O'Brien asked that the summary be changed to reflect funds listed as a liability are in effect the same as a designated account from an accounting perspective, which is a matter of adhering to Governmental

Accounting Standards Board (hereinafter referred to as “GASB 18”). Mr. Constable stated that any contributions to the reserve are first brought to the Board for approval. Mr. Trenholm stated more structured steps in terms of how often reserves examined should be taken.

There was substantial discussion by the Committee on how to avoid any misconceptions by the public regarding undesignated assets. Mr. Trenholm stated CRRA financial statements fairly present; assets, liabilities, net asset, revenues and expense and both accounting and reporting has been properly done.

Mr. Trenholm discussed the establishment of a post litigation reserve to fund the global bank expenses, as well as post litigation judgment relating to the New Hartford matter. Mr. Trenholm asked the Committee to consider avoiding the use of the term “reserve” in the management recommendation because of the liability connotation. He advised using something along the lines of a “post-litigation restricted cash account” which will be established and Board designated.

Mr. Trenholm also advised the Committee to consider describing the restricted reserve which is used to retain the Mid-Connecticut Project surplus funds as “an established restricted cash account.” Director Francis suggested the accounts be separate, one for the Global Bank expenses, and one for New Hartford to avoid spending money out of one account.

Director Francis stated the funds from the Mid-Connecticut Project Regional Recycling Center Equipment Replacement Reserve (Container) should be allocated for a specific recycling project such as: single source recycling, electronic recycling and/or yard waste. Mr. Kirk explained that in order to use the funds, CRRA needs to first be in agreement with the City of Hartford.

Chairman Pace asked if an electronics drive is one of the best ideas with concern to recycling efforts because of the huge need for such an activity. Mr. Constable explained electronics recycling is handled through the budget as an operating expense. His opinion was that the reserve be used toward capital related type items. Director O’Brien felt that giving management some discretion towards assigning the funds was appropriate. He asked that the decision be tabled until a definitive plan of action for the funds has been created. It was agreed that management would prepare and present to the Full Board its strategy on recycling within the next few months.

Director O’Brien asked CRRA management to explain why STIF accounts were the choice for investing the funds. Mr. Bolduc explained that rates were explored for other investment options. Ms. Bronisz explained STIF is a daily money market fund, and therefore highly liquid. Ms. Bronisz stated that STIF accounts are only available to municipalities and governmental agencies in the State of Connecticut, and the yields on STIF are generally higher than any other current short term investment options that are available to CRRA. Director O’Brien expressed concern that management should be able to move the funds into a longer term investment plan if it made sense financially. It was agreed that the language of the resolution would be expanded include the concept.

Director Karanian asked management for clarification on the definition and need for a Benefit Fund. Mr. Bolduc explained that originally the fund was a wellness fund in the event

there were spikes in the cost of providing insurance benefits. Mr. Bolduc explained that he and the Human Resources manager would discuss possibly eliminating the fund. Director Karanian also asked what the Risk Fund was. Mr. Bolduc explained that the fund is for potential costs attributed to other litigation and insurance claims against CRRA.

The motion was seconded by Director Martland.

The motion previously made and seconded was approved unanimously with the understanding that the resolution will be amended to reflect the Committee's changes.

### **3. Review FY06 Financial Audit Management Letter**

Mr. Bolduc introduced Scott Trenholm from Carlin, Charron & Rosen, LLP. Mr. Trenholm stated the significance of the designation of unrestricted assets is well understood by the Finance Committee. He also stated remediation to address the current deficit is being taken care of, as well as steps to address why such mediation is necessary. Mr. Trenholm explained it will be necessary to have sufficient net assets available for Bridgeport to address whatever future costs will be assessed against CRRA. He reminded the Committee to take that into account and to keep in mind that net assets are total assets minus liabilities and that not all of CRRA's assets are liquid.

### **4. Executive Session**

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

Scott Trenholm

The Executive Session commenced at 10:30 a.m. and concluded at 11:11 a.m.

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

### **5. Review and Recommend for Board Approval Resolution Regarding Wallingford Guarantee of Payment ("GOP") Modification**

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

**RESOLVED:** That the Guaranty of Payment requirement of at least three (3) months of waste disposal charges be reduced to a requirement of at least two (2) months of waste disposal charges in the Wallingford Project permitting, Disposal and Billing Procedures.

The motion was seconded by Director Karanian.

Director O'Brien noted the Wallingford Policy Board has already approved this resolution.

The motion previously made and seconded was approved unanimously.

**6. Review and Recommend for Board Approval Resolution Regarding Increase to MDC FY'08 Mid-Connecticut Operation Budget**

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

**RESOLVED:** That the fiscal year 208 Metropolitan District Commission ("MDC") Mid-Connecticut Project Annual Operating Budget be amended as follows:

That an additional \$475,800 be authorized for the Waste Processing Facility function to cover the projected additional capital costs:

**FURTHER RESOLVED:** That the cost of the additional capital projects incurred by the MDC in the amount of \$475,800 to be funded from the Mid-Connecticut Project Facility Modification Reserve.

The motion was seconded by Director Karanian.

Chairman Pace asked how this increase compared to other increases in the past. Mr. Constable explained this increase was based on safety issues and a few upgrades that were discovered after the budget was adopted in February. He explained that because the Operations department is currently down in staff, some of the smaller, more cost effective projects are being executed by MDC.

Chairman Pace expressed his satisfaction with the many successful changes and upgrades implemented by the Operations Department. Mr. Tracey elaborated on the changes. He explained that the initial focus was on several large and pressing projects and that now he and his co-workers are moving on to the second tier projects and there is a good working relationship between CRRA and MDC.

There was substantial discussion on the relationship between CRRA and MDC.

Director O'Brien asked that the upgrades recommended in both the Grillo report and safety report done three years ago be included in the table which will be presented to the CRRA Board. Mr. Kirk agreed and asked Mr. Tracey to make the necessary changes.

The motion previously made and seconded was approved, Director Martland abstained.

**7. Review and Recommend for Board Approval Resolution Regarding By-law Changes for Budget Submission**

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

**RESOLVED:** That the Authority's Bylaw language pertaining to budget submission deadlines be amended as substantially presented and discussed at this meeting.

The motion was seconded by Director Martland.

Director O'Brien asked that the dates relating to the Bridgeport project be changed. Mr. Kirk explained that if a deal was made with Wheelabrator it would necessitate future changes to the By-Laws.

The motion previously made and seconded was approved.

**ADJOURNMENT**

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

The meeting was adjourned at 11:28 a.m.

Respectfully submitted,

Moira Kenney  
Secretary to the Board/Paralegal