

**Special Finance Committee  
February 26, 2008 Regular Meeting**

**Draft Minutes**

Members Present: Michael Pace, Board Chairman (present by telephone)  
James Francis, Committee Chairman  
Raymond O'Brien, Committee Vice-Chairman  
Edna Karanian  
Mark Lauretti (present by telephone)  
Ted Martland (present by telephone)

CRRA Staff Present: Tom Kirk, President  
Jim Bolduc, Chief Financial Officer  
Bettina Bronisz, Assistant Treasurer & Director of Finance  
Robert Constable, Controller  
Laurie Hunt, Director of Legal Services  
Paul Nonnenmacher, Director of Public Affairs (present by telephone)  
Moira Kenney, Secretary to the Board/Paralegal

Chairman Francis called the meeting to order at 9:42 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. Review and Discuss – Alternative tip fee proposal for the Mid-Connecticut Project Budget**

Mr. Bolduc said that he would be addressing concerns proposed by the CRRA Board regarding the Mid-Connecticut Project budget. He said those concerns were on the following topics; deliveries, electrical production, landfill closure reserve, and expenditures. He said prior to his responses he would like to address several topics which are also of relevance to the budget.

Mr. Bolduc said there had been several comments concerning CRRA's historical experience. Mr. Bolduc said management had analyzed the range of surpluses from FY'03 – FY'07 (FY'08 is still in progress). Mr. Bolduc explained the big variances in surplus amounts are from FY'05 and FY'07. Mr. Bolduc explained the primary variance in FY'05 was due to a unbudgeted debt defeasement.

Mr. Bolduc explained the big variance in FY'07 was a result of an assumption that the Hartford landfill would be closed 18 months in advance of the end of the fiscal year. He explained CRRA was able to negotiate with the City of Hartford and the CT DEP for a 3-to-1 ratio on the slope thereby extending the life of the landfill. Mr. Bolduc said that out of a \$100 million budget to have a million to a million and a half variance is not unusual.

Mr. Bolduc addressed a question posed by the Board concerning whether the 830,000 ton projection in the budget is too aggressive an assumption. He said the actual tonnage in FY'07 was 823,000, and in the FY'08 adopted budget the projected tonnage is 865,000 tons. Mr. Bolduc said the adopted FY'09 budgeted projected 830,000 tons.

Mr. Bolduc addressed concerns on whether the amount of power production in the budget was too aggressive. Mr. Bolduc said regarding the electric production in FY'07 that the amount of kilowatts sold was 397,000,000. He said the budget had adopted 423,000,000 for FY'08, and for FY'09 403,000,000 kilowatts of power.

Mr. Bolduc said Director Savitsky had expressed concern regarding the \$3,000,000 grant for the Hartford landfill. He said management would agree there is \$1 million in reductions available. He explained the \$1 million is because management has already removed \$3 million from the budget and the \$1 million is associated with the interest on actual receipt of cash. He said the original \$83.00 tip fee in the budget had \$12 million in funding. Mr. Bolduc said when the funds came in management went back to the figures and adjusted as necessary. He said as a result there is \$1 million in FY'09 which can be reduced.

Mr. Bolduc said the last concern he was addressing concerned setting a tip fee. He said management was setting a net cost of operations and not a tip fee. He said the only place where a \$72.00 tip fee discussion is appropriate is in regards to the hauler contractual rate, which is established using a different basis. He said the actual member rate is a result of the net cost of operations.

Mr. Kirk said the Directors' questions concerning tonnage and generation rate are valid. He explained Director Savitsky felt the budget assumed more tonnage than was likely to actually be delivered and that the generation rate in the budget was too aggressive. He said the comments are counterbalancing as one would raise costs and the other would raise revenues.

Mr. Kirk said the concern over how many tons may exit the facility should the tip fee release the haulers from their contractual obligations is valid. Mr. Kirk said if the project gets 10,000 tons less that the resulting \$70,000 savings is not a substantial amount. He explained if CRRA is over subscribed that the extra garbage must be hauled out of the state. He said CRRA collects the revenues for those funds. Mr. Kirk said he doesn't see a compelling reason to adjust the 830,000 downward.

Mr. Kirk addressed the concern that the budget is overly aggressive on the electric generation prediction. He explained management had discussed the issue and feels the production prediction is not too aggressive as a result of the improvements and capital spending at the PBF and EGF. He said although the increase is not an unreasonable request for Covanta. Mr. Kirk said that personally he felt that number can be reached easily.

Director Martland said he was concerned the dropping economy will affect the amount of trash brought in. Mr. Kirk said the impact of not receiving garbage anticipated is not as substantial as one may think. He explained CRRA is currently oversubscribed and a 10,000-20,000 ton reduction has roughly a \$1.00-a-ton impact.

Mr. Bolduc addressed the alternative tip fee structure proposal created by Vice-Chairman O'Brien. He said the handout contemplates two options: one a split tip fee with a gate rate, option two, a charge predicated on the annual delivery of tons from each town. Mr. Bolduc said the proposal is comparable to the Bridgeport Project town's model which uses a split tip fee. Mr. Bolduc said the haulers represent about 50-55% of the total supply in a fixed contract with a \$72.00 tip fee this year, and a \$75.00 tip fee next year. He said it's possible the proposed \$76.00 tip fee may cause the haulers to elect to pull out of their contract with CRRA.

Vice-Chairman O'Brien said it is clearly important to retain the haulers for this fiscal year and the next. Vice-Chairman O'Brien proposed a \$72.00 a ton tip fee for delivered waste along with billing each town \$4.00 per annual ton. He explained the proposed tip fee structure follows the same basis the towns received the New Hartford settlement on. Vice-Chairman O'Brien said this suggestion is a way to get the town's to pay directly for the closure of the landfill that has served their needs over a period of time. He said the proposal generates \$123,000 more than the \$72.00 a ton on the 830,000 tons worth. He said we should increase the contribution to the landfill closure reserve by the \$123,000.

Director Karanian asked whether Vice-Chairman O'Brien's proposal had been looked at from a contractual perspective. Ms. Hunt said that she preferred to respond to the contractual issues in executive session.

Chairman Pace asked what the cost of billing to each of the towns will be. Mr. Bolduc replied the cost to the towns would be \$76.00. Mr. Bolduc said there may be an issue with this billing proposal as eleven towns would be partially billed for services which hereto after had been charged to their haulers.

## **2. 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 Karanian. The motion previously made and seconded was approved unanimously by roll call. Chairman Francis requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk  
Jim Bolduc  
Laurie Hunt, Esq.  
Robert Constable

The Executive Session commenced at 10:05 a.m. and concluded at 10:35 a.m.

The meeting reconvened at 10:36 a.m. and Chairman Francis noted that no votes were taken during Executive Session.

## **3. Further discussion regarding an alternative tip fee proposal for the Mid-Connecticut Project Budget**

Mr. Bolduc reviewed a document entitled the Mid-Connecticut Project Municipal Impact Analysis of Fiscal Year 2009 Tip Fee Increase. He said management does not have the actual data detailing the distribution ordered in the New Hartford settlement and had obtained the current figures from the newspaper. He said the second column on the handout details the benefits the towns have enjoyed since October of 2007 as a result of the tip fee being lowered from \$69.00 to \$60.96. He said the towns had presumably put the original \$69.00 tip fee proposal into their budgets. Mr. Bolduc said the overall total was almost \$30 million. Mr. Bolduc explained that moving the tip fee from \$69.00 to \$76.00 is about a 10% increase. He explained the towns have a cash benefit of almost \$30 million in their budgets. Mr. Bolduc said the \$2.5 million increase from the tip fee is very small in comparison.

Mr. Kirk said the \$76.00 increase is modest enough that it is taking on average 10% from the settlements received by the project member towns. Director Karanian said the problem with the \$76.00 tip fee is that the towns are still incorrectly assuming the increase is from the lower rate even though this is incorrect. Mr. Kirk said the feedback he has received indicates the towns are viewing the budgeted number at \$69.00, which would have left a surplus in their budgets.

Vice-Chairman O'Brien said the judges order was based on repayment of a temporary transfer from the landfill closure fund to fund necessary work on the EGF, as well as the contribution to the ash landfill.

Mr. Bolduc reviewed a chart which illustrates alternative tip fee proposals. He said management is setting the tip fee in regards to the net cost of operation, which is a permissible vehicle under the MSA. He said the \$76.00 currently under discussion is higher than the contractual rate with the haulers next year. He said it will be a challenge maintaining those haulers in the future. He said he realizes the towns bring in roughly half the tonnage.

Mr. Bolduc said there are potential assumptions that may affect these figures. He said there are potential benefits from any additional state bond money and global settlement funds received. Mr. Bolduc said the \$12 million MDC is claiming and the new implications of siting an ash landfill are also factors which may affect the figures in the opposite direction.

Chairman Pace asked whether some of the items Mr. Bolduc had referenced could be bonded or strung out to deflect the impact to the budget. Chairman Pace asked whether there is a way to reduce the net cost of operations.

The Committee discussed reducing the net cost of operations at length.

Chairman Francis suggested reducing the net cost of operations with \$1 million from the landfill closure reserve, a \$1 million reduction from the MDC proposed budget (which still gives them a 5% increase in their operating costs), and lastly a reduction from the facility modification reserve. He said that management is asking for \$6 million, but there are continuous years to fund the reserve. He suggested the following year's contribution be increased by the \$1 million which will be used this year to bring down the net cost of operations. Chairman Francis suggested reducing the recycling rebate by \$1.00 and reducing the \$400,000 in marketing for single stream recycling to \$300,000.

Mr. Constable said with Chairman Francis's proposed reductions that \$150,000 more will need to come out of the net cost of operations.

Mr. Kirk said that he is very cautious about deferring recovery costs with the possibility of facing a difficult final year similar to that of the Bridgeport Project. Mr. Kirk said there is still a \$40 million hole to be filled before the implementation of the strategic plan can be considered.

Chairman Francis said his proposed reductions do not have an impact on any issues which he feels are imperative to CRRRA. Mr. Kirk said there is some risk associated with MDC's \$12 million claim. Vice-Chairman O'Brien said another way to close the financial gap is by coming up with another 10,000 tons. He said there is another possible \$720,000-\$750,000 depending on the tip fee. He said this would allow continued funding to the reserve modification fund. Mr. Kirk said if the additional tons are shipped out than they will actually cost CRRRA money versus providing additional funds.

Mr. Kirk said he felt the goal of this meeting should be keeping the haulers obligated for tonnage at the \$72.00 tip fee. Chairman Pace agreed. He said to do this the lost revenue must be made up elsewhere. Chairman Pace said that Vice-Chairman's proposal can't be utilized this year but should be considered for the future. Chairman Pace said he felt the split tip fee may create a problem, Chairman Francis and Vice-Chairman O'Brien agreed.

Mr. Constable said reducing the contribution to the facility modification reserve will postpone projects until the following year and cause the tip fee to go up the following year by another \$1.00.

There was substantial discussion by the Committee on how to reduce the net cost of operations.

Vice-Chairman O'Brien suggested the Finance Committee recommend two options to the full Board. He said the first option is for a split tip fee of \$72.00 for the haulers, and \$76.00 for the towns for their direct deliveries. The second option would be a straight tip fee of roughly \$72.00 for everyone, after making a \$3 million reduction in the net cost of operations. The Finance Committee agreed to bring the two options to the full Board for recommendation.

### **3. Adjournment**

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

The meeting was adjourned at 10:59 a.m.

Respectfully submitted,

Moira Kenney  
Secretary to the Board/Paralegal

