

Finance Committee
Jan. 21, 2010, Regular Meeting

Draft Minutes

Members Present: Chairman Pace
Committee Chairperson Savitsky
Vice-Chairman O'Brien
Alan Desmarais
Mark Laretti (present beginning 9:50 a.m.)
Ted Martland

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Ferguson, Director of Finance
Jeff Duvall, Manager of Budgets and Forecasting
Peter Egan, Director of Environmental Affairs
Nhan Vo-Lee, Director of Accounting Services
Moira Kenney, Secretary to the Board/Paralegal

Committee Chairperson Savitsky called the meeting to order at 9:32 a.m. and noted that there was a quorum.

Committee Chairperson Savitsky requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited. Noting that there were no members of the public present which cared to comment during public comment, Committee Chairperson Savitsky stated that the regular meeting would commence.

1. Approval of Minutes of the Dec. 10, 2009, Finance Committee Meeting

Committee Chairperson Savitsky requested a motion to accept the minutes of the Dec. 10, 2009, Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Martland.

The minutes were approved unanimously by roll call.

2. Review and Recommend for Board Approval – Southwest Budget & Wheelabrator Fee

Committee Chairperson Savitsky requested a motion regarding the above-captioned item. Vice-Chairman O'Brien made the following motion:

RESOLVED: That the fiscal year 2011 South West Division operating budget be adopted substantially in the form as presented and discussed at this meeting; and

FURTHER RESOLVED: That a fiscal year 2011 municipal solid waste tip fee of \$64.16 be adopted for contracted member waste.

The motion was seconded by Director Desmarais.

Committee Chairperson Savitsky asked why this particular budget is coming to the Committee.

Mr. Bolduc said that in the past there were project budgets including the general fund budget which were governed by the MSA's which stipulated that advance Board approval was necessary in order to vote on the budgets and to set the subsequent tip fees.

Mr. Bolduc said that as CRRA transitions out of the Bridgeport Project (a situation that the Wallingford Project will also be in) structural changes have been made to recognize that although there is no requirement per a town contract; budgets should still come to the Finance Committee and Board for approval. He said that money will still be spent and noted contracts and expenditure items must still go through Policies and Procurement to allow the Committees a chance to comment, as directed by CRRA's Procurement Policies.

Mr. Bolduc said that the budget before the Committee is very straightforward and has basically two variables in the equation. He said that one variable is the negotiated contract with Wheelabrator. He said their fee is under a five and one half year contract which a CPI index calculation and the rate adjustment to be used. Mr. Bolduc said that the CRRA administration fee was negotiated with the Southwest towns prior to the restructuring of these twelve towns and also contains specific calculations based on the consumer priced index for urban wage and clerical workers in New York and Northern New Jersey.

Vice-Chairman O'Brien asked what those numbers were. Mr. Bolduc replied in the case of Wheelabrator it was an increase of a \$1.11 which was calculated using the consumer price index for New York and Northern New Jersey which is 242.316. He said that taking the index change, times the rate for the administrative fee brings it up to 2.42% and noted that the Wheelabrator one went up 1.82%.

Mr. Kirk said that the total increase for the tip fee to the towns averages out to a 1.9% increase. He said that there are two increases at work, one which is written into the contract during negotiations which is three quarters of the CPI for Wheelabrator. He said the second increase is the \$2.00 administrative costs for CRRA which go under the full CPI.

Committee Chairperson Savitsky asked if there is an opportunity depending on what the outcomes are with the Stratford museum to go back and revisit that \$2.00 fee. Mr. Kirk said that unfortunately no, the \$2.00 fee is consumed by services provided to the Towns. He said he has a meeting planned with the Mayors of the Southwest Division Towns and one of the agenda items for that meeting is funding for the museum. He said that he expects that although those Mayors support the museum they will be unable to provide any assistance with funding.

Vice-Chairman O'Brien asked if Mr. Edwards has seen this resolution. He said that all twelve towns should have this information as soon as possible to assist with their budget planning. Mr. Kirk said that information is usually released after Board approval is given.

Mr. Duvall said that there are some items in the contract that the towns may wish to weigh in on. He said for example the price of diesel changes the tip fee. Mr. Kirk said that the

price has a credit to it because the contract was written when diesel was \$4.25 a gallon and it is now at \$3.09 a gallon. He explained that CRRA gets a credit from Wheelabrator because they spend so much less on diesel. Mr. Kirk said that because there was a five and one half year contract, management wanted to get back to a fiscal year setting and that after this six month period piece there will be another adjustment.

Director Martland asked if the minimum the Towns have to meet in the contract is rational. Mr. Kirk said that topic resulted in an extremely contentious discussion and negotiation. He said the tonnage generation committed to is a very aggressive number because of the economy. He said that the prior year the number was not met due to the illegal diversion of several operators, diversion that CRRA is trying to stop with enforcement. Mr. Kirk said that there are a lot more tons which are controlled by the commercial haulers. He said for instance Bridgeport generates 110,000 tons with commercial but the Towns were not interested in committing commercial tons despite the fact that they have the right to flow control.

Vice-Chairman O'Brien asked if the shortage of tons was aggregate and by how much. Mr. Kirk said that CRRA was short by about 15,000 tons below the 90% target. He explained CRRA can go above or below the commitment by 10% and still maintain however the bottom rung was missed by about 15,000 tons.

Mr. Kirk said that management has sent word to Wheelabrator that they are in breach of the contract with CRRA as it has been accepting waste from towns that have flow control ordinances. He said discussions on this topic took roughly ten months until an agreement was met to withdraw CRRA's claim that Wheelabrator was in breach of its contract in exchange for not charging CRRA for a put or pay shortfall.

Mr. Kirk said if there is no penalty for the shortfall on minimums then there is no harm no foul to CRRA. He said that if the project continues to grow and the waste continues to come back the problem will be grown out of. Mr. Kirk said if that doesn't happen at some point Wheelabrator may want those tons and CRRA may say stop taking it at a discount. Mr. Kirk said that West Haven, Ansonia, and Derby have indicated they may be interested in joining the project.

A discussion concerning development of new MSA's and whether full faith and credit or put and pay should be used in the future was undertaken. Committee Chairperson Savitsky said that management needs to develop objective criteria to monitor future clients for overall capability.

Committee Chairperson Savitsky asked if management has an internal list or term sheet of the nuances and criteria for this contract. She said she is looking for documentation of the terms and conditions of the contract. Mr. Bolduc said that management has that information which can be crafted into a term sheet. Vice-Chairman O'Brien asked that such a term sheet be put together and amended to the Finance Committee minutes.

The motion previously made and seconded was approved as discussed by roll call.

3. Review and Recommend for Board Approval – Disbursement of Authority Funds

Committee Chairperson Savitsky requested a motion regarding the above-captioned item.

RESOLVED: That the funds of the Authority deposited or invested in any financial institution (except Trustee-held funds) be subject to withdrawal at any time through checks, notes, drafts, bills of exchange, acceptance, or other instruments (including wire transfer and electronic banking) for the payment of money when made, signed, accepted or endorsed on behalf of the Authority, by two of the following: Tom Kirk, Jim Bolduc, Bettina Ferguson, Jeff Duvall or Tina Mateo, provided however that Tom Kirk, Jim Bolduc or Bettina Ferguson must at least be one of the two signers.

FURTHER RESOLVED: That any funds transferred solely between Authority bank accounts shall require a signature from only one of the individuals authorized above.

FURTHER RESOLVED: That funds of the Authority held by the Trustee be subject to withdrawal at any time upon written requisitions or instructions for the payment of money, when made, signed, accepted or endorsed on behalf of the Authority by any one of the individuals authorized above.

The motion was made by Vice-Chairman O'Brien and seconded by Director Desmarais.

Committee Chairperson Savitsky said that the Board had raised some questions concerning why the Finance Committee had passed on this item. She said that there are five people which are authorized signers. Committee Chairperson Savitsky said that many municipal governments do not have that many authorized signers although she does have a greater comfort level because of internal controls.

Vice-Chairman O'Brien said that he had raised objections at the Finance Committee meeting which was why the item was passed on. He said that he feels much more comfortable with the current resolution as at least one of the signatures needs to be Mr. Kirk, Mr. Bolduc, or Ms. Ferguson.

Director Martland said that he was comfortable with the resolution as the top three signatories are needed as well as that of the person directly related to the item being brought forward.

Director Desmarais said that he was okay with the resolution. He suggested that the fifth line down be changed to say "by two of the following" instead of "any two of the following". The Committee agreed to the change.

The motion previously made and seconded was approved as amended and discussed unanimously by roll call.

INFORMATIONAL SECTION

Committee Chairperson Savitsky asked how frequently Ms. Ferguson was providing updates concerning the constellation energy update. Ms. Ferguson replied that she last provided these updates in the summer. She explained that because their merger has stalled there has not

been anything to report on. Mr. Bolduc said that any unusual events or developments are reported on.

Mr. Bolduc said that he would like to address three items in the informational section. He said that the subsidy referral report contains factual data concerning the \$6.00 tip fee. He said there are separate STIF accounts and noted that management sends out letters every quarter to each individual town. Mr. Bolduc said that it is probable that the biggest recipient of this deferral will be the Town of East Hartford.

Mr. Bolduc said that he wanted to address the updated management letter, Bridgeport Financial Distribution Summary, and the State Audit Report.

Mr. Bolduc said concerning the State Audit Report summary there is basically one item which the auditors repeatedly address which management replies to with the same response. He said that once the Connecticut Department of Environmental Protection (hereinafter referred to as the "CT DEP") responds to CRRA the issue can be resolved.

Mr. Egan explained that he held a conversation with the CT DEP in December. He explained that their position is that they are waiting for CRRA to set up a meeting. He said that CRRA's position is that management has responded to CT DEP's last request and if CT DEP needs CRRA management to answer more questions CRRA can do so if CT DEP schedules a meeting.

Mr. Egan said that during the conversation management and the CT DEP discussed approaching the legislature in a joint venture to change the statute to make it easier on both parties with regards to the requirement to submit an annual plan of operations and the CT DEP's obligation to review it and determine whether it dovetails with the Solid Waste Plan. He said that there has not been any further discussion and management is considering placing these items on their legislative agenda.

Committee Chairperson Savitsky said if it is the CT DEP's position that CRRA needs to set up a meeting then CRRA should do so. She said that offering a meeting date would place responsibility back onto the CT DEP in terms of proceeding. Mr. Egan said that he will do so. Mr. Kirk said that the meeting agenda can be used to address the legislative issue as the review process could be a great waste of time.

Committee Chairperson Savitsky asked where the State auditors are at this point. Ms. Vo-Le said that they have not done FY'08 or FY'09 and have not contacted CRRA. She said that out of convenience they will most likely do both at the once when they do come back.

Mr. Bolduc said that concerning the quarterly Bridgeport Financial Distribution Summary Mr. Edwards and the SWEROC group are provided constant updates and communications. He said the updates contain all of the open items subsequent to the closure of the Bridgeport Project much of which is working its way through.

Mr. Bolduc said in the last month he had reviewed these items with Mr. Hamilton of Norwalk, CT and Mr. Hiller of Fairfield, CT. He said during the last exchange with management Mr. Hiller and Mr. Hamilton said that a meeting would be set up with the Financial Directors and

possibly the CEO's of the Towns but that date has not been set up as of yet. Mr. Bolduc explained that he and Mr. Kirk indicted their willingness to review information with the Towns if needed.

Mr. Bolduc said that the fines concerning City Carting have mostly been resolved and the All American issue is also mostly resolved. Mr. Bolduc said another item still on the list is an agreement for approximately \$730,000 worth of Stratford Recycling Reserve which remains an issue as there is some disagreement within the former SWAB group if some of those funds should go to SWAB or solely to SWEROC.

Mr. Bolduc said that the final remaining issue concerning the Bridgeport Financial Distribution Summary is the sale of the Waterbury Landfill. Director Martland asked how many acres the Waterbury Landfill is. Mr. Egan replied 12 acres which can be sold and five and one half which will be CRRA's indefinitely.

Mr. Bolduc said that concerning the auditor management letter outstanding issues have been resolved between management and the auditing firm. He said areas where the firm had differing opinions with management have been clarified and resolved.

Vice-Chairman O'Brien asked if there is a written procedure for performing and evaluating the quality of the restoration for the hardware back-up. Mr. Kirk replied in the affirmative. Director Desmarais said that not only does the back-up need to have a written procedure but the quality of the restoration needs to be checked.

Vice-Chairman O'Brien said that it is good that CRRA is testing quarterly but there is nothing about a written procedure for the back-up restoration as well as evaluating the quality of that restoration. Committee Chairperson Savitsky said that although this may be done quarterly she believes it has to be done randomly.

Committee Chairperson Savitsky said she thought the Board had approved funding to upgrade a module of the E-procurement system and she is reading that is it not efficient. Committee Chairperson Savitsky said that she understood the approval for the upgrade was supposed to make it more functional.

Mr. Bolduc said that there is a difference between modular system upgrades which are a matter of maintenance. He said that what is being discussed here is a customization of the software.

Committee Chairperson Savitsky said that what she is concerned about is the statement which says "we understand some of the some of the staff are using the system not as designed but as required to maintain an antiquated system". She asked why the system was purchased and made to work the way CRRA used to work.

Mr. Bolduc said that is BST's perception He said that management took a purchasing system which integrated a budget system and a purchasing system in order to adhere to CRRA's Policies and Procedure standard on a cash basis. Mr. Bolduc said that this system allowed for that integration instead of buying a million dollar system to be customized.

Committee Chairperson Savitsky said that there are new systems available which offer the integration and inter system communication that Mr. Bolduc is referring to. Mr. Bolduc said that he would look into a new system but noted that the time and money spent on installing a new system and to offer subsequent training would be at a great expense.

After substantial discussion it was agreed that the consultant's advice would be used to determine whether a new system is necessary.

Vice-Chairman O'Brien said that he is confused concerning Tab 8. He said that on this item the missing items were not reported as they are not CRRA's responsibility. Mr. Bolduc said that according to Ms. Hunt these items are the responsibility of Covanta and management only reports under the statues things related to CRRA. He said that statutory requirement says anything that is unusual, illegal, or a loss of property for the agency should be reported. Mr. Bolduc said per CRRA's procedure management has to inform the Committee of any items that they have determined not to report on.

Vice-Chairman O'Brien asked what the value of the missing items is. Mr. Duvall said that the plates which are missing are very expensive but CRRA has no liability for the missing items.

EXECUTIVE SESSION

Committee Chairperson Savitsky 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 Martland. The motion previously made and seconded was approved unanimously by roll call. Committee Chairperson Savitsky requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Jim Bolduc
Jeffrey Duvall

The Executive Session commenced at 10:40 a.m. and concluded at 12:10 p.m.

The meeting was reconvened at 12:10 p.m., the door was opened, and the Board secretary and all members of the public were invited back in for the continuation of public session.

ADJOURNMENT

Committee Chairperson Savitsky 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 12:10 p.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal

