

**Finance Committee
Jan. 20, 2011, Telephonic Meeting
Draft Minutes**

Members Present: Committee Chairman Ted Martland
 Timothy Griswold
 Mark Lauretti

CRRA Staff Present: Tom Kirk, President
 Jim Bolduc, Chief Financial Officer
 Jeff Duvall, Director of Budgets and Forecasting
 Bettina Ferguson, Director of Finance
 Nhan Vo-Le, Director of Accounting Services
 Moirra Benacquista, Secretary to the Board/Paralegal

Also Present: Jim Sandler, Esq. of Sandler & Mara

1. Approval of Minutes of the Dec. 9, 2010, Finance Committee Meeting

Committee Chairman Martland requested a motion to accept the minutes of the Dec. 9, 2010, Finance Committee meeting.

The motion to approve the minutes was made by Director Lauretti and seconded by Director Griswold.

The minutes were approved as amended unanimously by roll call.

2. Review and Recommend for Board Approval – Southwest Division Budget

Committee Chairman Martland requested a motion regarding the above-captioned item. Director Lauretti made the following motion:

RESOLVED: That the fiscal year 2012 SouthWest Division budget be adopted substantially in the form as presented and discussed at this meeting; and

FURTHER RESOLVED: That a municipal solid waste tip fee of \$65.11 per ton be adopted for contracted member waste.

The motion was seconded by Director Griswold.

Mr. Bolduc said the SouthWest budget does not involve any significant assumptions as it is contractually pre-arranged with the Wheelabrator contract as well as the CRRA administration fee, both of which are on an escalating CPI basis. He explained embedded in the member towns' contracts are the Wheelabrator contractual charge for FY' 12 for \$63.03 and the CRRA administration fee for \$2.08. Mr. Bolduc said the tonnage is the contractual amount which the towns signed up for making the budget a mathematical exercise which provides the \$65.11 tip fee which generates the \$16.99 million revenue to cover that same level of expenses with the majority (\$16.5 million) going to Wheelabrator.

Mr. Bolduc said the budget represents about a 1.5% increase from year to year which is about the rate of inflation. Director Lauretti asked with respect to the CRRA administration fee if the fee for the prior year was \$2.00. Mr. Bolduc replied in FY'11 the fee is \$2.05. Director Lauretti asked why that fee appears to be compounding itself. Mr. Bolduc clarified the increase is a formula based on CPI and the increase from FY'10 to FY'11 is a five cent increase with a further three cent increase in FY'12.

Director Lauretti said the Wheelabrator contract does not increase as much. Mr. Bolduc said the Wheelabrator contract increases by an escalator. He said it was \$61.77 in FY'10, \$62.11 in FY'11 and \$63.10 in FY'12. Mr. Bolduc said the increase is based on a percentage of the CPI index increase.

Chairman Martland asked how management is expecting electric costs to go down when the media and radio are constantly referring to the escalation of electric rates increases expected in the future. Mr. Bolduc speculated that a lot of the energy costs are being driven by fossil fuel, mostly oil which is still up at \$80.00 a barrel; however natural gas has dropped from \$10-11 MMBTU down to \$3.50 per MMBTU. He said as most of the generation in this area is natural gas-based, the generic increase in energy costs driven by the oil side in the electric industry are not prevalent here.

Mr. Kirk agreed. He said that New England power is about 50-60% gas-based so New England energy prices for electrical power are not increasing and in some cases are dropping. He said the retail cost for power is increasing due to fee and transmission increases but the energy costs are lower. Mr. Bolduc added that in Connecticut the retail electric rates were supposed to drop as a result of the complete paying back of the stranded cost bonds. He explained the Legislature passed a bill which instead of allowing those rates to drop as planned, places roughly \$600 million into Connecticut's general fund.

Director Griswold asked if the tip fee times tonnage equates to the \$16.9 million. Mr. Bolduc said that was correct. Director Griswold said in terms of actuals in FY'11 how far were they different from the 261,000 tons. Mr. Bolduc said SouthWest year-to-date is running about a \$146,000 favorable variance. He said \$6.5 million was the revenue budgeted expenditure and the Project is running about \$150,000 favorable however management is projecting to break even. Mr. Bolduc said tons-to-date are 3,600 or 3% off of what was budgeted.

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

3. Informational Section

Chairman Martland said the Informational Section was thoroughly reviewed by the Committee.

Mr. Bolduc referred the Committee to the Independent Audit Management Letter. He said the letter describes several updates to open items from the FY'09 audit management letter. Mr. Bolduc said management will implement "positive pay" with Bank of America in response to the need for additional security control.

Mr. Bolduc said the investigation and review of more significant processes of the E-Procurement software will commence in March with CCR. Chairman Martland asked if “positive pay” is an automated fraud detector. Mr. Bolduc replied yes. Ms. Ferguson explained when management runs the check register a duplicate file is sent electronically to the bank. She said when the checks are presented for payment the bank matches the check presented with the file sent by CRRA. Ms. Ferguson said if there is an error and the dollar or vendor amount does not match, the bank contacts CRRA and provides it with the option to pay or deny the checks.

Mr. Bolduc said the semi-annual report which is provided to the Committee per section 4-33a of the general statutes does not contain any reports. He said if there is an unusual or irregular item a form is filled out internally by a CRRA employee which is then sent to the Department head. Mr. Bolduc said if the Department head agrees that the item is reportable it is forwarded to an internal Committee consisting of Ms. Vo-Le, Mr. Bolduc, Mr. Egan and Ms. Hunt who then prepare a filing to the State if they agree the item is reportable. He said if the item is deemed non-reportable it is presented to the Finance Committee.

Mr. Bolduc said there are two items which will be coming to the Finance Committee in the future. He said one concerns Informational Technology security. Mr. Bolduc said an audit was done concerning a CRRA document. He said the second situation will likely be filed with the State as it was irregular. Mr. Bolduc said the Antonacci Companies pre-paid \$8 million in January for the Mid-Connecticut Project which management views as irregular.

Mr. Bolduc said the CAFR was completed and met with statutory deadlines and was included in the Finance package.

ADJOURNMENT

Committee Chairman Martland requested a motion to adjourn the meeting. The motion was made by Director Lauretti and seconded by Director Griswold.

The meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal