

**Finance Committee
Dec. 15, 2011 Regular Meeting
Draft Minutes**

Members Present: Committee Chairman Martland
 Louis Auletta
 Timothy Griswold (present by telephone)
 Scott Slifka (present by telephone)

CRRA Staff Present: Tom Kirk, President
 Jim Bolduc, Chief Financial Officer
 Jeff Duvall, Director of Budgets and Forecasting
 Bettina Ferguson, Director of Finance
 Tina Mateo, Senior Financial Analyst
 Moira Benacquista, Secretary to the Board/Paralegal

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

Chairman Martland called the meeting to order at 9:35 a.m. He said there were no members of the public who wished to comment and proceeded with the agenda.

1. Approval of the Minutes of the Nov. 10, 2011, Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the Nov. 10, 2011, Finance Committee meeting. The motion to approve the minutes was made by Director Griswold and seconded by Director Auletta.

The minutes were approved unanimously by roll call.

2. Review and Recommend for Board Approval – Authority Operating Budget

Chairman Martland requested a motion regarding the above-captioned item. Director Griswold made the following motion which was seconded by Director Auletta.

RESOLVED: That the fiscal year 2013 Authority and Capital budgets be approved substantially in the form as presented and discussed at this meeting.

Mr. Bolduc said the purpose of the Authority budget is to capture costs and expenditures which are of a corporate nature. He said pg. 8 indicates where expenditures are coming from and the bottom of the page basically allocates the costs back out to the various projects, divisions and activities. Mr. Bolduc said the Authority budget nets to zero because the costs are distributed to all projects, divisions and activities. He said Mid-Conn picks up the largest share because it is the biggest project.

Mr. Bolduc said in the description there are two lines for Mid-Conn. He said the first line, covers the period from July 1, 2012 – Nov. 15, 2012 when the existing project under the existing bonds expires. He said the second line covers the period Nov. 16, 2012 – June 30, 2013 of FY'13

which is part of the overall FY'13 budget. Mr. Bolduc said new project activity, such as the Connecticut Solid Waste System, is described in the new MSA's. Mr. Bolduc said the costs are being bifurcated as some costs go to each of the various budgets, which are in turn driven by a combination of a number of different categories which include labor. Mr. Bolduc said management allocated based on total assets, current assets, operating revenue and the number of municipalities which participate in each of the different projects and divisions. He said in addition management allocated using MSW tons, recycling tons, FTE's (which are personnel full time), while using a weighted average of those various things by these various activities. Mr. Bolduc said CRRA uses a broad overarching allocation methodology which is reexamined every year.

Mr. Bolduc noted three pages of the budget had been updated; he distributed hard copies of the revised pages and explained the changes which were made. He said pg. 14 of the original shows a debt service item of about \$80,900 for when CRRA relocated from the 17th and 18th floor of its current location down to the present 6th and 5th floors. He said that on a net present value basis (including the costs of the move) CRRA saved about \$800,000 due to a decrease in rent and square footage. Mr. Bolduc explained money was borrowed from the Authority budget to do a build out and undertake the actual move. He said that loan, as can be seen in the revision of pg. 14, will be paid off in March of 2012. Mr. Bolduc said there is no need for that expenditure, which reduces the proposed budget.

Mr. Bolduc said the second revision, on pg. 9, concerns the payroll. He said the original page where the overtime line is shown is \$80,000 in FY'11, which was dropped to \$51,000 in FY'12, and should have remained at that level. Mr. Bolduc said because of reductions and allocations the budget was reduced from \$80,000 down to \$50,000 to keep it consistent with the FY'12 budget which reduces the overall initial presentation by about \$130,000.

Mr. Bolduc said the revisions roll up into the summary page and are reallocated. He said overall, instead of an increase of 3.44% in the CRRA budget, the actual FY'13 proposed budget over FY'12 is only slightly under a half a percent higher.

Mr. Bolduc reviewed several items of importance with the Committee. He said on pg. 9, the payroll related items between the adopted FY'12, of \$1.5 million to the proposed FY'13, was about a \$100,000 increase. Mr. Bolduc said that increase is based on a 2% COLA which is budgeted, and is based on a formula based on the CPI. He said the CPI is currently reflecting about a 2.5-3% range. Mr. Bolduc said the other amount is a merit increase. He said management budgeted a 2% increase. Mr. Bolduc said CRRA has only provided one merit increase in the last 3 years, he explained it was passed on in 2009, granted in 2010, and passed on in 2011. He said over the last three years a total 2% total merit was provided. He said the merit amounts for about \$60,000.

Mr. Bolduc said a majority of the balance relates to reallocation. He said when management canvassed the various departments for information as to what projects employees are projected to spend time on, it was revealed that two operating employees which were previously 100% allocated to Mid-Conn will be moved to the Authority administrative services. Mr. Bolduc said when those amounts are reallocated it tracks the allocation formula and the deduction will be seen on the FY'13 Mid-Conn budget when it is projected.

Director Griswold asked Mr. Bolduc to comment on the overtime. Mr. Bolduc said the majority of CRRA employees are salaried and do not get overtime. He said the administrative staff is on an hourly basis and any extra tasks asked of these employees are paid for out of that overtime amount. Chairman Martland asked how close management is to the \$51,000 budgeted for FY'12. Mr. Bolduc replied it is difficult to say as CRRA is only four months into the year. Mr. Bolduc said any surplus from unused budgeted amounts will go into the surplus account and be used to reduce future year budgets.

Director Griswold asked for clarification on the trustee bank fee. Ms. Ferguson said that fee pertains to the fees CRRA pays to its government bank. She said CRRA has thirteen bank accounts at Bank of America and those refer to the charges for the combined accounts which are for the different projects and the general administrative account. Ms. Ferguson said for FY'12 CRRA is tracking below \$1000. Director Griswold asked if CRRA is getting caught between compensating balances. Ms. Ferguson said that is exactly the case as CRRA formerly paid its bank fees in soft dollars. She said in years past CRRA paid very little or nothing at all for bank fees but as interest rates are now very low, compensating balances do not earn enough to cover the hard dollar costs.

Ms. Ferguson said she meets with the Bank once a year to review the accounts and find any improvements or reductions in costs where possible. She said one of the things management will do in 2012 is transferred by the bank to electronic statements as costs for paper statements of \$25.00 an account will be implemented.

Director Griswold asked about the new contingency item. Mr. Bolduc said as CRRA transitions from project specific models, management feels it is important to have a contingency for unanticipated expenditures.

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

3. Review and Recommend for Board Approval – Recycling Division (South Unit) Budget

Chairman Martland requested a motion regarding the above-captioned item. Director Slifka made the following motion which was seconded by Director Griswold.

RESOLVED: That the fiscal year 2013 Recycling Division Operating Budget be adopted substantially in the form as presented and discussed at this meeting.

Mr. Bolduc said management's original intent was to have the Recycling Division include the South Unit, which is the Stratford IPC facility, and to wrap in the North unit which is currently part of the Mid-Conn budget. Mr. Bolduc said the Board recently made the decision to continue the recycling North Unit as part of the Mid-Conn facility with the new MSA proposals.

Mr. Bolduc said the South Unit is under a contractual arrangement with twelve of the old SWEROC towns. He said this is the cost and the revenue activity required to operate the Stratford facility. Mr. Bolduc said previously it was operated as a dual stream recycling facility which has now changed to a transfer station with recycling materials brought to the single stream

facility at Mid-Conn. Mr. Bolduc said Footnote C has to do with the PILOT, which is based on operating as a transfer station similar to CRRA's other transfer stations. He said management has calculated a host community fee based on the agreements with the other host communities and not based on a PILOT as it used to be when it operated as a dual stream recycling facility. Mr. Bolduc said there is no formal agreement with the City of Stratford as of yet.

Mr. Duvall said FY'11 was under the old agreement, a considerably different arrangement which makes it difficult to compare to past years. He said under the current arrangement with the SWEROC group, the budget is based on bringing all of the recycling to the Hartford facility. Mr. Duvall said SWEROC shares in the revenue and Hartford shares in a piece of the revenue which flows in through the top line under the budget assumptions under the price per ton sharing. He said typically Hartford gets closer to \$40 a ton under normal operating circumstances. Mr. Duvall said both Stratford and Hartford may experience higher revenue sharing as a result of market conditions.

Mr. Duvall said the hauler operation per ton is based on two pieces. He said the contract rate was set at \$11.88 however; it is adjusted by the CPI and fuel surcharges which were based on current stable pricing. Mr. Duval said the contract operating charges are also escalated by the CPI. He said FY'12 and FY'13 are very similar in composition. He said although the Garbage Museum is closed, electricity costs do increase as the electric and gas heat cannot be shut off because the systems are interconnected and must be maintained. Mr. Duvall said management passed on the SWEROC portion of those costs in the budget, in addition to a portion of the costs to insure the exhibits, which SWEROC wanted to keep in the museum.

Mr. Duvall said in the FY'12 budget management had estimated a cost for a scale operator. He said management made a decision not to hire a CRRA employee for that position and as a result a temporary agency service was added to this budget along with a corresponding reduction in the direct salaries, labor, and benefits line.

Mr. Bolduc said both the FY'12 and FY'13 budgets have a line in the revenues side called Use of Prior Year Surplus. He explained in FY'13 there is a \$357,000 revenue item which is cash and prior year surplus. Mr. Bolduc said if the prior year's surplus had been zero, there would be a need to make up that \$357,000. He said the market has been creating that surplus as it has been very robust and because FCR has fixed contracts and hedges. He cautioned the Committee however, that the FCR hedges may expire in the future and those surpluses could erode and the cost of running this operation becomes significantly higher. Mr. Kirk said in addition the markets in China have eroded substantially, the effect of which will begin to show in this fiscal year.

Mr. Bolduc said there is a balance sheet reserve of about \$750,000. Director Griswold asked if that surplus is used to calculate the rebate amount. Mr. Bolduc replied no. He said this balance sheet belongs to SWEROC. Mr. Bolduc said the SWEROC group was considering a rebate of \$30 however, management would not recommend depleting the reserve to zero with a fluctuating market. He said the same could be said for the Mid-Conn Project. Mr. Bolduc said there are potential risks in being too aggressive with the rebate.

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

4. Informational Section

Mr. Bolduc brought the Committee's attention to the Information Section of the package. He said on an annual basis CRRA performs an equipment audit and recently identified some obsolete equipment. Mr. Bolduc reported management identified about \$24,000 worth of old equipment purchased in the mid 90's which has no net book value and no financial impact to CRRA. He said the policy requires Board approval in order for management to write off any item over \$10,000; however as these items have no value, this is being presented as an informational item only.

Mr. Bolduc said the CAFR for FY'11 will be filed by the end of the year. He said the bulk of the CAFR is the audit (which was reviewed by this Committee recently) in addition to some statistical data.

EXECUTIVE SESSION

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

Tom Kirk
Jim Bolduc

The Executive Session commenced at 10:15 a.m. and concluded at 10:35 a.m.

The meeting was reconvened at 10:35 a.m., the door was opened, and the Board secretary and all members of the public (of which there were none) were invited back in for the continuation of public session.

ADJOURNMENT

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

The meeting was adjourned at 10:36 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal