

Finance Committee
Feb. 17, 2011, Telephonic Meeting
Draft Minutes

Members Present: Vice-Chairman Lauretti
Louis Auletta (present by telephone until 10:20 a.m.)
Timothy Griswold (present by telephone)
Ron Van Winkle

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Jeff Duvall, Director of Budgets and Forecasting
Peter Egan, Director of Environmental Affairs & Development
Bettina Ferguson, Director of Finance
Laurie Hunt, Director of Legal Services
Tina Mateo, Senior Financial Analyst
Paul Nonnenmacher, Director of Public Affairs
Nhan Vo-Le, Director of Accounting Services
Moira Benacquista, Secretary to the Board/Paralegal

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

Vice-Chairman Lauretti called the meeting to order at 9:45 a.m. He said there were no members of the public who wished to comment and proceeded with the agenda.

1. Approval of Minutes of the Jan. 20, 2011, Finance Committee Meeting

Vice-Chairman Lauretti requested a motion to accept the minutes of the Jan. 20, 2011, Finance Committee meeting. He said for the record the agenda incorrectly refers to the Jan. 13, 2011, Finance Committee meeting minutes which should be corrected to the actual date of Jan. 20, 2011.

The motion to approve the minutes as amended was made by Director Griswold and seconded by Vice-Chairman Lauretti.

The minutes were approved as amended by roll call. Director Van Winkle abstained as he was not present at the meeting.

2. Review and Recommend for Board Approval – Mid-Conn Recycling Rebate Review

Vice-Chairman Lauretti requested a motion regarding the above-captioned item. Director Van Winkle made the following motion:

WHEREAS, the Authority has encouraged member municipalities to recycle to the maximum extent possible by not charging a tipping fee for the acceptance of recyclables at the Authority's regional recycling facilities since commencing operations; and

WHEREAS, the Authority spent \$3 million to install single stream sorting equipment at its Mid-Connecticut Project Regional Recycling Center with the expectation that single-stream recycling would increase recycling in its participating cities and towns and spent an additional \$60,000 retrofitting the equipment to accept all household plastic containers; and

WHEREAS, Mid-Connecticut Project cities and towns delivered more than 83,00 tons of recyclables in FY 201; and

WHEREAS, while recycling tonnages decreased from year to year in the remainder of the state, the Mid-Connecticut Project regional recycling center processed approximately 84,00 tons of recyclables in FY 2010 an increase of about 3.5%; and

WHEREAS, the Board of Directors adopted the FY 2010 Mid-Connecticut Budget anticipating that a per-ton rebate provision for member municipalities based on the amount of acceptable recyclable tons annually delivered would not be possible; and

WHEREAS, the Mid-Connecticut Project Regional Recycling Center operations generated sufficient revenues in excess of expenses to rebate \$5.00 per ton delivered by the municipalities; and

WHEREAS, the Authority has accrued sufficient funds for a rebate and the Fiscal Year 2010 audit has been performed and the auditors have confirmed that the funds are accrued and available;

NOW THEREFORE, be it

RESOLVED: That the Board of Directors approves the use of approximately \$420,000.00 to provide a \$5.00-per-ton rebate to the municipalities based on their pro-rate share of acceptable recycling tonnage delivered to the Mid-Connecticut Regional Recycling Center system.

The motion was seconded by Director Auletta.

Mr. Bolduc said the rebate issue is typically resolved earlier in the year, however as this is the last full year of the budget, management wanted to look at it with the cost of operations for FY'12. He said the recycling operation is inherent in the overall solid waste budget and all revenues and expenses go through that budget. Mr. Bolduc said there was a surplus from FY'10. He said the overall surplus FY'10 dollars will flow into the FY'12 budget and management is recommending a \$5.00 rebate in line with the rebate provided the prior year to the towns. Mr. Bolduc said the format is contained in the write-up and shows a distribution of approximately \$419,000 for FY'10.

Mr. Bolduc said the rebate is distributed based on the recycling tonnage delivered by each town. He said the rebate totals \$419,281.75 compared to the distribution the prior year of \$404,766 which indicates that CRRA has received a little over 3,000 additional tons in recycling in FY'10.

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

3. Review and Recommend for Board Adoption – MDC Mid-Conn Operating Budget

Vice-Chairman Lauretti requested a motion regarding the above-captioned item. Director Van Winkle made the following motion:

WHEREAS, The Metropolitan District Commission (MDC) prepared an operating budget for the Mid-Connecticut Project (the MDCMC Proposed Budget) for the period July thru December 2011 and submitted such operating budget to the Authority for review on January 31, 2011; and

WHEREAS, The Authority reviewed the MDCMC Proposed Budget and scheduled a meeting on February 3, 2011 with the MDC to seek clarification on certain items included in the MDCMC Proposed Budget; and

WHEREAS, upon its review, the Authority determined that the MDCMC Proposed Budget for the Administration reflected a significant increase in contribution to Pension Regular. The budget also included approximately \$31.6 million for a line item entitled “MDC Contract Separation Costs”, for costs purported to be incurred following the expiration of the CRRA-MDC Agreement on December 30, 2011. The Authority recommends the revision of the MDCMC Proposed Budget for Administration by a reduction in contribution to Pension Regular and the elimination of “MDC Contract Separation Costs”; and

WHEREAS, upon its review, the Authority determined that the MDCMC Proposed Budget for the Waste Processing Facility (WPF) reflected a significant increase in contribution to Pension Regular. The Authority recommends the revision of the MDCMC Proposed Budget for the WPF by a reduction in contribution to Pension Regular; and

NOW, THEREFORE, it is

RESOLVED: That the Board hereby adopts the fiscal year 2012 Mid-Connecticut Operating Budget for the period July thru December 2011 as submitted by the MDC and revised by the Authority in the form presented at this meeting.

The motion was seconded by Director Auletta.

Mr. Bolduc said CRRA’s operator at the Mid-Conn facility, MDC, submits a budget to CRRA management. He said the contract calls for the CRRA Board to adopt a budget. Mr. Bolduc said the budget in its entirety is available for the Committee members to review. He said the summary sheets in the write-up are from that document and state management’s recommended changes to that budget.

Mr. Bolduc said after receiving the budget CRRA and MDC management met to review the details, discuss any questions and to obtain some additional supporting documentation. He said there are still some answers to minor open questions and pieces of additional information that management is waiting for from MDC. Mr. Bolduc said the significant item between what

was provided and what is in this document centers on an item MDC calls “termination costs”; an item CRRA management refers to as “expiration costs”.

Mr. Bolduc said this budget is similar to the FY’11 budget where the same concept was integrated in this proposal. He said at that time, when MDC submitted the budget it included a contract separation/termination of roughly \$32 million. Mr. Bolduc said this year the figure included for separation/termination costs is \$39.6 million, a significant increase from a year ago and concerns the longer-standing dispute with MDC. He said the only adjustment CRRA management made to the budget is to that item.

Mr. Bolduc said this particular budget, unlike past budgets, was submitted to cover the period July 1, 2011, through Dec. 30, 2011, which is when MDC’s contract expires. He said the six month portion is rolled into the Mid-Conn budget and the second six months is a budget that reflects the operation of the WPF by its new operator NAES. Mr. Bolduc said that page six shows a line on the proposed adoption by CRRA of a reduction of \$31.6 million. He said on page seven the payroll and benefits reflect a \$7.3 million difference with the retention of \$282,000 for pension regular. He said the \$7 million concerns other issues regarding the expiration claim.

Mr. Bolduc said discussion with MDC revealed there is not an actuarial amount and as a result, management reflected the regular pension estimate based on historical numbers. He explained the FY’11 number of \$565,000 was cut in half to \$282,000 to represent the FY’12 six month period. Mr. Bolduc said CRRA does pay that monthly portion in bills but not the portion that is related to the claims.

Director Van Winkle said that seems reasonable to pay the ongoing costs as the matter will be resolved in court to separate those costs out.

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

EXECUTIVE SESSION

Vice-Chairman Lauretti requested a motion to enter into Executive Session to discuss personnel matters, pending litigation and pending RFP responses. The motion was made by Director Van Winkle and seconded by Director Auletta. The motion previously made and seconded was approved unanimously by roll call. Vice-Chairman Lauretti requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Jim Bolduc
Jeff Duvall
Laurie Hunt

The Executive Session commenced at 10:07 a.m. and concluded at 11:10 a.m.

The meeting was reconvened at 11:10 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.

4. Review and Recommend for Board Approval – Mid Conn Budget

Vice-Chairman Lauretti requested a motion regarding the above-captioned item. Director Van Winkle made the following motion:

WHEREAS, the Connecticut Resources Recovery Authority (the “Authority”) is required by the Municipal Service Agreement (the “MSA”) with the Mid-Connecticut project towns to submit the next succeeding fiscal year budget on a timely basis (i.e., 120 days before the beginning of the next fiscal year); and

WHEREAS, the Mid-Connecticut Project’s Fiscal Year 2012 will be the last twelve month fiscal year and the associated debt will be retired on November 15, 2012; and

WHEREAS, the Authority has prudently established necessary reserves to fund its liabilities including debt payment, landfill post closure activities, and risk mitigation; and

WHEREAS, the Authority has determined that based on the current spread between market interest rates and consumer price index rates, an additional contribution to the Hartford Landfill Post Closure Reserve is necessary to ensure that all landfill post closure liabilities are funded; and

WHEREAS, the Authority received \$5,000,000 in fiscal year 2011 from the State Bond Commission for reimbursement of closure activities of its Hartford Landfill; and

WHEREAS, similar to other Authority Project expirations, the Authority has identified the need to establish an end-of-Project reserves; and

WHEREAS, the final payment on Project bonds will be made on November 15, 2012, and funds now held by the bond trustee will thereupon become available for use by the Authority; and

WHEREAS, the Authority proposes a reserve be established to foster recycling, education, and solid waste reduction initiatives to support the Connecticut Department of Environmental Protection’s (the “CTDEP”) Solid Waste Management Plan; and

WHEREAS, the Authority’s Operating Agreements for the Mid-Connecticut Waste Processing Facility (the “WPF”), Power Block Facility (the “PBF”), and the Energy Generating Facility (the “EGF”), which will expire in fiscal year 2012, were competitively bid resulting in the selection of a new operator and the associated annual savings and transition expenses for this operator are incorporated in the Fiscal Year 2012 Budget;

NOW THEREFORE, it is

RESOLVED: that the proposed Fiscal Year 2012 Mid-Connecticut Project operating budget be adopted in the form presented and discussed at this meeting; and

FURTHER RESOLVED: that the following tip fees be adopted for the Fiscal Year 2012 operating budget; and

WASTE STREAM	TIP FEES
Municipal Solid Waste (per ton)	\$69.00
Spot Waste (per ton)	Market Rate
Municipal Bulky Waste (per ton)	\$85.00
Ferrous Residue (per ton)	Market Rate
DEP Certified Soils /Cover Material (per ton)	Market Rate
Mattress / Box Spring Surcharge (per unit)	\$30.00
Recycling; Single or Dual Stream (per ton)	\$0.00

FURTHER RESOLVED: that the President is hereby authorized to approve the use of funds from the Facility Modification Fund, Rolling Stock Fund, and the Jets/EGF Fund to pay for costs and fees incurred during Fiscal Year 2012 in accordance with the operating and capital budgets adopted pursuant hereto, as presented and discussed at this meeting, provided that all purchases of goods and services shall comply with the requirements of the Authority's Procurement Policies and Procedures; and

FURTHER RESOLVED: that a Recycling, Education, and Solid Waste Initiatives Fund (the "RESWI") be established at the Short Term Investment Fund of the State of Connecticut ("STIF") to fund solid waste reduction activities in support of the CTDEP Solid Waste Management Plan; and

FURTHER RESOLVED: that in accordance with other Authority project expirations, a Post Project Closure Reserve in the amount of \$750,000 be established in a STIF account for Project related expenses that may occur after the Project has ended; and

FURTHER RESOLVED: that a Litigation Reserve in the amount of \$1,950,000 be established in a STIF account, and \$694,000 be transferred from the Hartford Landfill Closure Reserve to the Litigation Reserve; and

FURTHER RESOLVED: that \$2,676,000 from the Hartford Landfill Closure Reserve be transferred to the Facility Modification Reserve to defray the impact on fiscal year 2012 tip fees, and

FURTHER RESOLVED: that \$1,600,000 be transferred from the Hartford Landfill Closure Reserve to the Hartford Landfill Post Closure Reserve, and

FURTHER RESOLVED: that \$1,800,000 be transferred from the Risk Fund to the Revenue fund to defray the impact on fiscal year 2012 tip fees; and

FURTHER RESOLVED: that a Transition Fund be established to support the expenses associated with the transition from the two current operators to one operator; and

FURTHER RESOLVED: that \$3,000,000 be transferred from the Hartford Landfill Post Closure Reserve to the Facility Modification Reserve to defray the impact on the Fiscal Year 2012 tip fees and be replaced with \$3,000,000 in fiscal year 2013 from the Renewal & Replacement Fund and the Operating & Maintenance Fund held by the Trustee once these reserves become available in November 2012.

The motion was seconded by Director Griswold.

Mr. Bolduc said the first further resolve indicates there will be a \$69.00 tip fee, a bulky rate of \$85.00, a mattress box spring charge of \$30.00, and no fee for recycling. He reviewed the details and the narratives with the Committee.

Mr. Bolduc said the first full further resolve after the table is for the Facility Modification and the Rolling Stock. He explained these are dollars which are taken out of the budget and are reflected in collection with the tip fee and fund the various capital reserves and provides for CRRA to move dollars out of those reserves to pay for capital expenditures. Mr. Bolduc said the actual individual capital expenditures will go to the Board on a monthly basis through the Policies & Procurement Committee.

Mr. Bolduc said the next further resolve concerns the establishment of a new reserve called the Recycling Educational and Solid Waste Initiative Fund, which management is proposing be funded with \$500,000. He said \$260,000 is from the FY'10 residual rebate surplus and about \$240,000 would come from the tip fee to fund this account. Mr. Bolduc explained CRRA is under obligation by the Solid Waste Plan to fund a variety of actions and this money will be set aside in recognition of those obligations for specific programs such as single stream recycling and recycling education.

Mr. Bolduc said the next further resolve is for \$750,000 to be established for a post-Closure Reserve, which is based on management's estimate of the costs needed for closing of the original Mid-Conn Project relative to bond indentures and special audits. He said the funds will be monitored and placed in a reserve for specific actions and any residual funds will be returned to the towns.

Mr. Bolduc said the Litigation Reserve is being established in order to deal with insurance claims and claims anticipated from potential lawsuits. He said as a result, management recommends putting funds in this account based on these summarized possibilities. He explained the funds are placed in the reserve only in the event that CRRA is required to defend itself in litigation and any unused funds will be placed with any other residual funds and returned to the towns. Mr. Bolduc said \$694,000 transferred from the Hartford Landfill Closure will also be placed in that account to deal with an issue between CRRA and the City of Hartford concerning the Hartford Landfill closure.

Mr. Bolduc said the next resolve concerns excess funds in the Hartford Landfill Closure reserve. He said management is recommending taking the \$2.7 million in that reserve to defray costs for the FY'12 tip fee. Mr. Bolduc said page three shows funds that were in a risk fund concerning environmental and litigation risks. He said some of those risks were mitigated and resolved and management recommends using \$1.8 million to offset some of the FY'12 costs of operations and to defray impact on the tip fee.

Mr. Bolduc said the transition fund concerns migrating from two operators, one at the WPF and one at the PBF/EGF, which are both changing at different times during the FY'12 budget cycle. He said management will have to incur roughly \$3.7 million to make that transition with at least 50% of those monies being used to buy hard assets such as inventories, which will continue to be used by the facility and the project. He said the other 50% is for transitions such as computerization of new systems, creating new manuals and procedures and hiring. Mr. Bolduc said significant savings would continue on over the life of the facility after an approximate one year pay back on an annualized basis.

Mr. Bolduc said the final resolve concerns moving monies to help fund the facility modification reserve. He said there are two accounts with the trustee which were established for operation and maintenance of the facility and the renewal and replacement expenditures of capital at the facility. Mr. Bolduc said the reserves were maintained in the event there was a situation where inadequate funds were spent on the facility. He said access to these funds is restricted until Nov. 16, 2012, after the bonds are paid in full.

Mr. Bolduc said management is recommending using funds in the Hartford post-closure reserve that do not need to be spent for a decade and are earning a low rate. He said the impact of using the money does not impact the reserve and those monies would be used in the next eighteen months and would be replaced after the \$3 million becomes available from the trustee.

Mr. Bolduc said the budget deals with further explanation of how the process works with this operational transition. He said this level of detail is not normally provided as the plant has been with the same operator for twenty-five years. Mr. Bolduc said typically management receives two budgets from the plant's operator and then reviews them, however in this case some estimates have been used because management does not have experience with the new operator yet, aside from contractual arrangements.

Mr. Bolduc said detail on the WPF and PBF actual numbers which flow from this narrative are provided. He said the proposed FY'12 numbers are lower than the FY'11 adopted for the waste processing facility because the operator is for six months. Mr. Bolduc said the PBF side is not much different because NEAS assumes responsibility for the last month of FY12 month before the end of the fiscal year, so the increase from FY'11 to FY'12 is still driven by the current operator.

Mr. Bolduc said the debt service requires a smaller contribution because management will direct use of the debt service reserve fund. He said on the cost side there are two more demonstrations of internal costs which contain the categories; administrative expenses, operational expenses, taxes, municipal subsidies and pilots which were formerly bundled into one item. Mr. Bolduc said the administrative costs are about 4% of the total budget.

Mr. Bolduc said only about 50% of CRRA's revenues come from tip fees. He said there are many other sources including 23% from electricity which is very important in helping keep costs down. Mr. Bolduc said it is very important that the plants are maintained and operated at maximum efficiency as it will be even more critical in the future when CRRA's contract with CL&P may increase. He said management is looking at a number of efficiencies to increase those numbers in order to keep tip fees down in the future.

Mr. Bolduc said the next few pages go into detail on the bigger expenses such as the 3% inflation factor. He said concerning performance of the plant total deliveries is up to about 800,000 tons in FY'12 from the FY'11 adopted budget of 794,000 tons. Mr. Bolduc said the objective is to maximize the output of the plant to generate as much electricity as possible.

Mr. Bolduc said electricity sales in FY'11 and FY'12 have somewhat deteriorated from the past which is why management is continuing to spend monies to maintain the plant. He said that number may be somewhat conservative as there are still existing construction activities on the boilers and the turbines.

Mr. Bolduc said the municipal payments and fees are contractually set and represent the \$6.6 million to the various towns and cities.

Vice-Chairman Laretti said the \$69.00 tip fee maintained over this past year reflects stability in government which can be appreciated. Director Van Winkle said the tip fee may be the only thing in his budget which is not increasing this year and he appreciates that. Director Griswold concurred. He said it is very important to maintain that level.

Mr. Bolduc said for the record Governor Malloy's proposed cost savings measures may result in CRRA losing all or some of its tax free status on purchases. He said this would negatively impact the towns.

The motion previously made and seconded was approved unanimously.

5. Informational Section

Vice-Chairman Laretti said the Informational Section was thoroughly reviewed by the Committee.

Mr. Bolduc said the package contains a risk management report which provides an overview of what management's process for corporate insurance renewals is, as well as risk mitigation from an insurance perspective.

ADJOURNMENT

Vice-Chairman Laretti requested a motion to adjourn the meeting. The motion was made by Director Van Winkle and seconded by Vice-Chairman Laretti.

The meeting was adjourned at 11:42 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal

