

**Finance Committee
May 12, 2011 Regular Meeting
Draft Minutes**

Members Present: Committee Chairman Martland
Louis J. Auletta, Jr. (present beginning 9:50 a.m.)
Timothy Griswold (present by telephone)

CRRA Staff Present: Jim Bolduc, Chief Financial Officer
Jeff Duvall, Director of Budgets and Forecasting
Bettina Ferguson, Director of Finance
Sotoria Montanari, Education Supervisor
Paul Nonnenmacher, Director of Public Affairs
Nhan Vo-Le, Director of Accounting Services
Moirra 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 Minutes of the April 14, 2011 Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the April 14, 2011, Finance Committee meeting. The motion to approve the minutes was made by Director Griswold and seconded by Chairman Martland.

The minutes were approved by unanimously by roll call.

2. Review and Recommend for Board Approval – Wallingford Landfill Post Closure Trust

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

WHEREAS, on February 17, 1994 the Connecticut Resources Recovery Authority's (the "Authority") Board of Directors (the "Board") approved a resolution adopting the fiscal year 1995 Wallingford budget, which included the funding of \$50,000 to the Wallingford Landfill Postclosure Reserve; and

WHEREAS, each succeeding fiscal year's adopted budget included contributions to the Wallingford Landfill Postclosure Reserve in order to provide sufficient funds for monitoring and maintenance of the landfill for thirty years such that as of April 30, 2011 the balance reported by STIF in the Wallingford Landfill Postclosure Reserve was \$7,430,248.11

WHEREAS, due to a change in the Permit for the Wallingford Landfill, a new financial assurance mechanism must be in place by June 30, 2011; and

WHEREAS, the Authority reviewed all options available and has determined that a Post-Closure Trust Fund, as the mechanism to demonstrate financial assurance, is the least cost alternative; and

WHEREAS, The Connecticut Department of Environmental Protections (“CTDEP”) requires that funding equal to the post-closure cost estimate through the end of fiscal year 2020 be placed in a Post-Closure Trust Fund; and

WHEREAS, Management approached the CTDEP and received approval to transfer a portion of the funds currently in the Wallingford Landfill Postclosure STIF Reserve funds into a new trust to satisfy the financial assurance mechanism.

NOW, THEREFORE, it is

RESOLVED: That \$1,680,400 of funds in the Wallingford Landfill Postclosure STIF Reserve, as approved by the CTDEP, be transferred to U.S. Bank for deposit in a trust fund used to demonstrate financial assurance; and

FURTHER RESOLVED: That the President is authorized to execute a Trust Agreement and associated letter agreement with U.S. Bank, which agreements are associated with the trust fund; and

FURTHER RESOLVED: That the remaining funds in the Wallingford Landfill Postclosure Reserve continue to be maintained in this reserve account to be used only for activities associated with post-closure care and maintenance obligations at the Wallingford Landfill for the remaining years of post-closure activity scheduled through fiscal year 2035.

Mr. Bolduc said as a result of some changes in the stewardship permit for the Wallingford Landfill, funds must be put aside in a specific trust concerning the hazardous waste cell within the landfill. He said a letter from the Connecticut Department of Environmental Protection (hereinafter referred to as the “CT DEP”) confirms the Ct DEP’s agreement with the placement of \$1,680,400 into a trust by CRRA management. Mr. Bolduc said the CT DEP also confirmed the maintenance of another \$2.9 million in a restricted reserve account for landfill corrective action and post-closure care costs.

Mr. Bolduc said the resolution authorizes the President to execute a trust agreement with U.S. Bank which will hold the funds on behalf of the trust. He said the rest of the reserve will continue to be used for the post-closure maintenance obligations as required through 2035.

Chairman Martland asked if a subsequent Board can withdraw funds from that restricted reserve account. Mr. Bolduc replied no. He said it is restricted by contract.

Director Griswold asked if the trust fund is the least expensive vehicle to maintain these funds over time. Ms. Ferguson replied yes. She said management obtained price quotes from a variety of different sources, and the trust was the least expensive. Director Griswold asked if the interest accrued will go back to the fund. Ms. Ferguson said that was correct.

Chairman Martland asked if the trust is limited in investment options. Mr. Bolduc said the trust investment is governed by Board policy and the Connecticut State statutes. Chairman Martland asked if the trust can be invested in corporations. Ms. Ferguson replied yes, but only those corporations at the very highest rating.

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

3. Review and Recommend for Board Approval – Stratford Garbage Museum Budget

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

WHEREAS, the Bridgeport Project officially ended on December 31, 2008; and

WHEREAS, the recycling component of the former Bridgeport Project located in Stratford, Connecticut survived the Bridgeport Project under the auspices of the Connecticut Resources Recovery Authority (the “Authority”) and the Southwest Connecticut Regional Recycling Operating Committee, (“SWEROC”); and

WHEREAS, SWEROC has agreed to administer the regional education and promotional programs related to recycling for the southwest area towns; and

WHEREAS, SWEROC administered the regional education and promotional programs through the Garbage Museum located at 1410 Honeyspot Road Extension, Stratford, Connecticut; and

WHEREAS, due to a reduction in recycling revenues, in June 2009 SWEROC was financially unable to continue funding the Garbage Museum’s activities; and

WHEREAS, the Garbage Museum was able to maintain its activities utilizing its operating account established through grants, donations, admissions, and a \$100,000 contribution from SWEROC; and

WHEREAS, routine building related expenses were deferred on the structure located in Stratford were the Garbage Museum resides; and

WHEREAS, the Garbage Museum’s operating account is estimated to have a balance of approximately \$67,000 on July 1, 2011; and

WHEREAS, in Fiscal Year 2012 the Garbage Museum would need to receive an estimated \$233,000 in net receipts from grants in addition to expending all of the funds in its operating account; and

WHEREAS, due to its financial status, Management recommends that the Garbage Museum be closed in Fiscal Year 2012.

NOW, THEREFORE, it is

RESOLVED: that the President is hereby authorized to promptly discontinue operation of the Garbage Museum in Fiscal Year 2012 and to take all actions necessary to properly close this facility; and

FURTHER RESOLVED: that Management develops a facility plan for the property located at 1410 Honeyspot Road Extension, Stratford, Connecticut.

Mr. Bolduc distributed the resolution above. He said this resolution and the recycling division budget in the next tab on the package are connected. Mr. Bolduc said management undertook a substantial investigation into the cost of running the facility activities (as they are commonly operated) and then allocated those costs between the two facilities.

Mr. Bolduc said historically the Southwest Connecticut Regional Recycling Operating Committee (hereinafter referred to as "SWEROC") and the Garbage museum deficiencies were incorporated into the Greater Bridgeport Solid Waste Advisory Board (hereinafter referred to as "SWAB") budget.

Mr. Bolduc said SWEROC and the recycling center are moving in a new direction. He said the existing center will become a transfer station which will then move its material to the Mid-Conn facility. Mr. Bolduc said the Hartford facility will not subsidize those costs.

Chairman Martland asked why the Southern towns are not going single stream. Mr. Kirk said in July CRRA will be able to offer single stream. He said prior to this agreement SWEROC was not able to get sufficient tons committed to justify the capital investment in single stream equipment at Stratford. Mr. Kirk said the plant was designed for single stream and needs renovation.

Mr. Kirk said management expects single stream to increase in the Southern towns over time. He said an increase in the single stream may eventually fund a complete conversion to the facility for single stream without transporting recyclables up to Hartford.

Mr. Bolduc said management is negotiating with the Southern towns for contracts. He said the budget shows the allocation of the costs and the projected budgeted revenue stream for the Garbage museum which resulted in a negative balance. Mr. Bolduc said the museum exists to a large extent on the generosity of donors and grants. He said there are presently no funds to cover the bills if the museum comes up negative.

Mr. Bolduc said the museum can't be funded by Mid-Conn as it is not a Mid-Conn facility and the Southern towns have indicated they can no longer afford to fund the museum. He said the month by month cash flow indicates sometime in the early fall the checkbook will be negative.

Director Griswold asked about the cash balance. Mr. Bolduc said that was money that the SWEROC towns agreed to put into the equation at the end of their project. He said the museum has been using up that money to balance the equation during an effort to develop other revenue services. Mr. Bolduc said in addition there was a SWEROC fund transfer of monies however, it is not enough funding to maintain the museum and those cash balances are being depleted. He

said using the current streams; the cash flow is predicted to go negative in the fall. Mr. Bolduc said the monthly draw down is about \$24,000.

Chairman Martland asked if there are other government agencies that give funds to non-profits. Ms. Montanari said she has been successful in obtaining two grants, one for \$86,000 through the Institute of Library and Museum Sciences, a federal grant. She said there are also two grants pending from the Environmental Protection Agency (hereinafter referred to as "EPA") and in addition she has obtained a \$137,000 grant from the Energy Efficiency Fund.

Ms. Montanari said some of the Southern towns, such as Bridgeport, are including the Garbage museum in their grant writing. She said for example an EPA grant for the City of Bridgeport includes an allocation for the Garbage museum. Mr. Kirk said Ms. Montanari has been remarkable in achieving such grants however; the present economy is a very difficult time to be asking for donations. He said in addition the grants which have been received typically focus on capital and do not provide operating expenses. Mr. Kirk said it is difficult to request ongoing expenses. Chairman Martland agreed.

Ms. Montanari said the Energy Efficiency Fund grant the museum received is contingent on the upgrades of exhibits and is also required to be an ongoing element of the museum's programming. She said she is concerned as the museum has not fulfilled the criteria of the grant and she requires management's advice on this issue. Mr. Bolduc said those funds have been placed in the cash projections.

Chairman Martland asked what the position of the SWEROC towns is concerning funding for the museum. Mr. Kirk said the Southern towns expressed support for the museum and previously provided some leftover cash from the project. He said those towns made it clear they can no longer continue to fund the ongoing expenses via a mark-up on their tipping fees or recyclables.

Director Griswold said museums serve a purpose in educating the public about recycling and garbage. He asked if the funding could come from educational dollars. Director Griswold said closing this museum may send an incorrect message that CRRA is shirking its responsibilities to educate and may be used by CRRA's detractors in a negative way.

A substantial discussion concerning possible suggestions for continuing the Garbage Museum was undertaken.

Mr. Bolduc said the \$300,000 needed to keep the museum open may quickly grow to \$400,000. He referred the Committee to footnote C. Mr. Kirk explained historically the \$120,000 pilot fee for the facility was paid by the operator, Fairfield County Recycling (hereinafter referred to as "FCR"), as a tax assessment on the facility. He said CRRA does not pay property taxes, however a host fee or pilot is typically paid. Mr. Kirk said this is certainly something which will need to be negotiated with Stratford going forward.

Director Griswold asked if the surrounding towns would be concerned if the museum was to close. Mr. Kirk said there will certainly be disappointment. Mr. Kirk said the local Stratford community sees the museums as an asset and a destination and people from all over the region visit. He said he would guess pressure from the community would not be enough to influence the

Mayors and First Selectman from the member towns to keep the museum funded. Mr. Kirk said the last time there was threat of closing the museum there was a huge community outpouring of support and funds but it did not convince SWEROC, or the Mayor's and First Selectman to spend general fund money to keep the museum open.

Director Griswold asked what the timing on this issue would be. Mr. Bolduc said the CRRA Board would be adopting the budget this month with the SWEROC Board meeting in June to actually approve it. He said the expenditure of funds starts six weeks from now at which point there will be about \$67,000 in cash. Mr. Kirk said management expects the close date to be July 1, 2011.

Chairman Martland said he would like to see a more sensitive resolution. He said the closure of the museum is based on action taken by SWEROC. Chairman Martland said due to the current financial scenario the museum needs to close however, the CRRA Board should reserve action until the SWEROC Board decides what to do.

Mr. Kirk said funding could be provided by the SWEROC towns through a mark-up on the recycling or a 75 cent charge on waste. Director Griswold asked if this is similar to how the Hartford museum is funded. Mr. Kirk replied no, he said the Hartford museum is subsidized through the budget of the Mid-Conn facility.

The Committee agreed it is SWEROC's decision whether or not to stop funding the museum. Director Griswold said the resolution should explain that the Garbage museum needs participation from the SWEROC towns and if they refuse to support it management has no choice but to close it.

After substantial discussion the Committee agreed to inform the CRRA Board the Committee provided input towards the resolution which will go to the full Board.

4. Review and Recommend for Board Approval – Recycling Division Budget

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

WHEREAS, the Connecticut Resources Recovery Authority (the "Authority") created the Property Division in fiscal year 2009 for the purposes of consolidating the residual assets and accounts necessary following the expiration of the projects for continued activities that are the responsibility of the Authority including, but not limited to, landfill closure and recycling in order to avoid comingling with other on-going project funds; and

WHEREAS, the Bridgeport Project officially ended on December 31, 2008; and

WHEREAS, the recycling component of the former Bridgeport Project located in Stratford, Connecticut survived the Bridgeport Project under the auspices of the Authority, the Southwest Connecticut Regional Recycling Operating Committee, ("SWEROC"), and by the operation of FCR; and

WHEREAS, included in the Property Division is a fund called the Stratford Recycling Capital Reserve and an operating account with approximately \$130,000 in unused prior year recycling operating surpluses; and

WHEREAS, the contract with FCR will terminate on June 30, 2011; and

WHEREAS, the facility in Stratford will cease to function as an Intermediate Processing Center (“IPC”) recycling facility on June 30, 2011 and instead operate as a recycling transfer station; and

WHEREAS, Management has created a new division called the Recycling Division, which is segmented into a South Unit for the Stratford recycling activity and a North Unit for the future Mid-Conn recycling activity to better classify the overall recycling operations.

NOW, THEREFORE, it is

RESOLVED: that the Board adopt the Recycling Division Budget substantially as presented at this meeting; and

FURTHER RESOLVED: that the full amount of the Stratford Capital Recycling Reserve currently classified within the Property Division be reclassified to the Recycling Division, South Unit; and

FURTHER RESOLVED: that any unused surplus funds resulting from the operation of the Stratford IPC that are currently classified within the Property Division be reclassified to the Recycling Division, South Unit; and

FURTHER RESOLVED: that amounts in the Stratford Capital Recycling Reserve and the amounts of unused surpluses be available for any cash deficiencies within the Recycling Division’s South Unit.

Mr. Bolduc said this resolution details moving the Stratford facility from dual stream to single stream via a transfer station. He explained the tons needed to fund the conversion of the Stratford facility to single stream were not obtained and as a result the recyclables will be transferred to the Mid-Conn facility. Mr. Bolduc said the transfer will not cost the Mid-Conn facility anything and is designed to be a break-even facility for the Southern towns.

Mr. Bolduc said the operation costs are detailed in the write-up. He said a scale operator and a half allocation of another scale operator will be needed. Mr. Bolduc said in order to provide this service at a zero tip fee SWEROC must use \$56,000 of its Stratford Capital Recycling Reserve to subsidize this activity.

Mr. Bolduc said the first resolve is an adoption of this budget by the CRRRA Finance Committee and Board, which ultimately the SWEROC Board will approve. He said it is managements’ understanding that the terms in the resolve mirror the contract which is being developed.

Mr. Bolduc said the property which was originally placed in the property division is being re-classed into the recycling division. He said eventually when Mid-Conn closes the Hartford recycling activities that piece will come in as the recycling division and the accounting will continue to be separate for each unit.

Mr. Bolduc said any unused surplus funds resulting from the operation of the Stratford IPC that are currently classified within the Property Division will be reclassified to the Recycling Division, South Unit.

Mr. Bolduc said the amounts in the Stratford Capital Recycling Reserve and the amounts of unused surpluses will be available for any cash deficiencies within the Recycling Division's South Unit.

Chairman Martland asked if the SWEROC towns could opt to charge a \$5.00 tip fee to keep funding the museum. Mr. Bolduc replied yes.

Director Griswold asked where the \$56,000 comes out of. Mr. Bolduc said those Bridgeport funds are from the Special Capital Recycling Reserve the SWEROC towns had in place. He said it could be used for anything contingent on agreement by the SWEROC towns. Mr. Bolduc said this resolution authorizes management to have access to take funds from this reserve if needed.

Director Griswold asked what the other \$130,000 is being used for. Mr. Bolduc said the \$130,000 is the prior year's surplus which is being used in the calculation. Director Griswold asked how much funding is in the Stratford Capital Recycling Reserve. Mr. Bolduc replied about \$700,000.

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

5. Review and Recommend for Board Approval – Property Division

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

RESOLVED: That the fiscal year 2012 Property Division Operating budget totaling \$1,813,000.00 be adopted as presented at this meeting.

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

INFORMATIONAL SECTION

Chairman Martland said that the informational section had been thoroughly reviewed. He noted a revised copy of the Finance and Variance report had been distributed.

EXECUTIVE SESSION

Chairman Martland requested a motion to enter into Executive Session to discuss personnel matters, pending litigation, security matters, and pending RFP responses. The motion

was made by Director Auletta and seconded by Director Griswold. 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 10:40 a.m. and concluded at 11:00 a.m.

The meeting was reconvened at 11:00 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 11:00 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal