Finance Committee
March 15, 2012 Regular Telephonic Meeting
Draft Minutes

Members Present:	Committee Chairman Martland Timothy Griswold 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 Lynn Martin, Risk Manager Nhan Vo-Le, Director of Accounting Services Moira Benacquista, Secretary to the Board/Paralegal
Others Present:	Jim Sandler, Esq., Sandler & Mara, LLC; Lisa M. Janney, Vice President, Account Executive, Aon Risk Solutions; Jared McElroy, Property Broker, Aon Risk Solutions.

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 January 19, 2012 Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the Jan. 12, 2012, Finance Committee meeting. The motion to approve the minutes was made by Director Griswold and seconded by Director Slifka.

The minutes were approved unanimously by roll call.

2. Review and Recommend for Board Approval – Insurance Renewal Public Official

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

> **RESOLVED:** That CRRA's Public Officials and Employment Practices Liability insurance be purchased from ACE with a $10,000,000 limit and up to $10,000,000 in defense costs and expenses outside the limit, and a $150,000 self-insured retention for the period 4/1/12 – 4/1/13 for a premium of $144,796, as discussed at this meeting.

Ms. Martin introduced Jared McElroy, the Property Broker on this account, and Lisa Janney, CRRA's Account Executive and Vice President of Aon Risk Solutions (hereinafter referred to as "Aon"). She said CRRA's Senior Engineer, Mr. Quelle is also present to address any questions related to the selection of the engineering firm as he reviewed the submissions.

Ms. Janney thanked CRRA for its business. She provided an overview on public officials and employment practices liability and addressed the current market for this line of coverage. Ms. Janney said the market is stable and that both decreases and increases in premium are being seen. She said as in past years, there is a very limited market interested in writing public entity business and even fewer for CRRA due to pollution exposures and the nature of the risk.

Ms. Janney said Aon approached ACE American, Ironshore and RSUI Indemnity. She said ACE has several options for review including; the current limit of $10 million with an additional $10 million of defense costs, as expiring, with $150,000 self-insured retention for $144,796. She said of the various limits and retentions none provide significant savings due to the increased deductible. Ms. Janney said AON is recommending Option #1. She said Ironshore and RSUI were interested in writing CRRA's coverage; unfortunately RSUI's pricing and coverage form are not as good and not as comprehensive as ACE, and Ironshore was not able to provide a quotation after reviewing the risks and exposures.

Ms. Janney said because the market has been soft for a number of years there was not much more Aon could get in terms of coverage enhancements. She said however ACE was able to expand upon the wording of one of the endorsements a little bit this year. She explained the newly expanded endorsement means if the Chairman of the Board or the CFO knows about something that could lead to a claim when the application is submitted and does not disclose it, the entity, CRRA will not have coverage if something comes up related to those facts. She explained previously, if any Board member or any individual employed by CRRA knew something and did not disclose it, CRRA would have no coverage if a claim resulted from those undisclosed facts or omissions.

Ms. Janney referred the Committee to Exhibit A, the quote disclosure report, which shows all of the markets and options which were received, the responses from insurers, and the prices. She noted that AON is not earning commissions on these placements as it receives a flat fee for broker services on an annual basis.

Director Griswold asked what claims CRRA has made under this insurance. Ms. Martin replied the Enron issue was one major claim. She said there was also a recent claim costing over $500,000 in defense expenses involving the solicitation and selection of the new operator at the Mid-Conn facility. Ms. Martin said although the frequency of claims has not been great, the costs related to the claims have been severe.

Director Griswold asked for an explanation on the limits. Ms. Janney said the limits have expanded over the last five years. She said the limits were always $10 million, but defense costs were included within the limit of liability. Ms. Janney said more recently Aon was able to get CRRA a $10 million limit of liability with up to $10 million of defense costs and expenses outside of the limit. Ms. Janney said in the options listed in the package the $5 million limit has an additional $5 million for defense outside of the limit of liability. She said any higher limits would be significantly more expensive, however, for lower limits the pricing is not that much different. Ms. Janney said she would not recommend lowering the limit.

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

3. Review and Recommend for Board Approval – Insurance Renewal Property

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

RESOLVED: That CRRA purchase CRRA's $350 Million Property Insurance from the following four (4) insurers with their shares as indicated:

- Zurich (Rated A) 42.10%
- Swiss Re (Rated A) 26.30%
- Starr Tech (Rated A+) 16.60%
- XL (Rated A) 15.00%

for the period 4/1/12 – 4/1/13 for a premium of $755,639 and other terms and conditions as discussed at this meeting;

FURTHER RESOLVED: That CRRA purchase loss control engineering services from XL GAPS for the period 4/1/12 – 4/1/13 for an amount not to exceed $14,440 as discussed at this meeting.

Mr. McElroy said from a global standpoint the insurance marketplace for property is going up due to the multitude of natural disasters which took place in the past year. Mr. McElroy said CRRA has a very limited number of markets which can be approached as it is both a public entity and a power generator. He said there were several losses in the power generation market last year which caused one of CRRA's incumbent insurers to cut capacity. Mr. McElroy said Starr Tech informed CRRA very early on that it wished to cut capacity on the program. He said in addition another of CRRA's incumbent insurers, Commonwealth, cut roughly 7% in capacity as it was no longer interested in participating in the power generation business.

Mr. McElroy said it was difficult to obtain the pricing before the Committee this year. He said achieving something close to the current pricing was tough in this marketplace. He said in order to counter the pricing issues; decreases in policy limits were explored. Mr. McElroy said AON also explored options for deductibles. He reviewed some of the results. Mr. McElroy said if CRRA wanted to keep some of the program from coverage standpoint similar to last year it would cost $770,079, which includes a flood patch that CRRA had to buy over the insurer XL to increase the flood limit to where it was the prior year.

Chairman Martland asked where Starr Tech is from. Mr. McElroy replied that Starr Tech is an agent based out of Boston which writes on ACE American paper, and writes more on technical and energy related risks. Mr. Bolduc asked Mr. McElroy to expand on the sensitivity analysis on lowering the cap or the deductibles.

Mr. McElroy said AON knew something dramatic on the limit would be required to try and create savings. He said $350 million of insurance is purchased on the recommendation of XL GAPS, the engineering firm which CRRA utilizes to review the Mid-CT facilities and estimate a Maximum Foreseeable Loss (MFL). Mr. McElroy said a $150 million policy limit was explored to attempt to create savings. He said unfortunately in terms of pricing, each individual market comes up with its own MFL which is much lower, as in the $150 million range. He said those markets did not see any risk in buying insurance in excess of $350 million and said there was no savings in that area. Mr. McElroy said XL believes there is some savings possible and provided a $15,000 credit which, in his opinion, is not even close to being worth taking on the additional risk.

Mr. McElroy said AON looked at the $50,000 deductible CRRA currently has along with $100,000 for mobile equipment, and $250,000 for Mid-CT and the jets. He said AON looked at increasing the deductible to $500,000 across the board and also looked at increasing the business interruption time element deductible from 45 days to 60 days. Mr. McElroy said increasing the property damage deductible to $500,000 and keeping the time element to 45 days would achieve a savings of just under $50,000, versus $100,000 in savings with a 60 day time element.

Director Griswold asked what mobile equipment means. Ms. Martin explained that mobile equipment is all rolling stock not including over the road equipment or vehicles.

Mr. McElroy said there are potential savings possible from a deductible standpoint. He said buying that deductible down the following year would cost twice as much as the savings CRRA will achieve this year. Chairman Martland asked for an explanation. Mr. McElroy said insurance companies do not generally give a credit and would then charge the next year to get that money back. He said the volatility in the property side of the market also allows them to do that.

Director Griswold asked if the $350 million is the sum of all of CRRA's insured assets. Ms. Martin said it is not, she said this year CRRA's total assets were about $564 million. Ms. Martin said the driver of this policy is clearly the Mid-CT Project which has the most value at about $350 million. Director Griswold asked about the flood insurance. Ms. Martin replied that there is a sub- limit in the $350 million limit of $125 million for the flood exposure. Chairman Martland asked where in the flood plain is the Mid-CT Project. Mr. McElroy said the flood zone determination is a shaded X500. He said CRRA is not in the highest hazard area but is more in the moderate hazard area.

Director Griswold asked if CRRA is on target for the budget for this insurance. Mr. Bolduc replied that management had requested about a 20% increase, and the insurance premium actually came in higher. He said compared to the budget the actual difference is about $40,000 more than what was budgeted. Mr. Duvall said the insurance budget as a whole contains some other increases which look as if they are not coming through. Mr. Bolduc said the pubic officials' insurance is running around a $37,000 surplus compared to what was budgeted which offsets a good portion of the overage for this coverage.

Director Griswold asked if the hardening markets are part of a trend. Mr. McElroy said in his opinion the power generation and the energy type industry has had very cheap pricing which CRRA has benefited from.

Ms. Martin said the engineering recommendation is to continue with XL GAPS, the same engineering firm that CRRA used the year prior. Mr. Quelle said XL GAPS is doing an excellent job capturing some of the deficiencies at the plant which impact the insurance costs. He said management has been implementing those recommended fixes, although some of the work should have been implemented by the plant's former operator. Mr. Kirk said management is not dismissing the possibility that CRRA will go back to its operator for some of those deficiencies. Mr. Quelle said some of those deficiencies are big ticket items and hopefully within the next year many of those issues will be resolved.

Mr. McElroy said the reports from XL GAPS are shared with the insurance companies. He said there were a handful of insurance companies which would be interested in this type of risk, however because of some of the outstanding recommendations no companies were willing to take that risk for a couple of months while the old operator is still there. Mr. McElroy said resolving some of the outstanding issues may open up the market more in the future.

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

4. Review and Recommend for Board Approval – Landfill Budget

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

> **RESOLVED:** That the fiscal year 2013 Landfill Division Operating budget totaling $2,084,000 be adopted as presented at this meeting.
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> **FURTHER RESOLVED:** That the President is hereby authorized to approve the use of funds from the following Landfill Division Reserves, as appropriate to pay for costs and fees incurred during fiscal year 2013 in accordance with the operating budget 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 Policy.
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> Shelton Landfill Post Closure Reserve
> Waterbury Landfill Post Closure Reserve
> Wallingford Landfill Post Closure Reserve
> Hartford Landfill Post Closure Reserve
> Ellington Landfill Post Closure Reserve

Mr. Bolduc said a few years ago when CRRA was closing down the Bridgeport Project and subsequently the Wallingford Project there were tail responsibilities which are CRRA's and will be for some time to come. He said initially those funds were placed in the Property Division with the eventual intention of creating a separate entity called the Landfill Division. Mr. Bolduc said the landfill division will be the resting home for the accounting activities related to the post-closure activities of these landfills.

Mr. Bolduc said when the Bridgeport Project and the Wallingford Project morphed into different activities a number of the landfills; Shelton, Waterford and Waterbury were moved into the landfill divisions. He said when the same metamorphosis occurs in the Mid-Conn Project management will also move the Hartford and Ellington landfills into these divisions. Mr. Bolduc said the landfills are governed by regulatory rules with regard to the Environmental Protection Agency and the Connecticut Department of Environmental Energy and Protection (hereinafter referred to as "CT DEEP"). He said some of the sites require certain trusts to be established as a result of hazardous waste cells. Mr. Bolduc said these landfills are governed by restrictions and the Board must operate by those guidelines and regulations. He said management performs a net present value analysis to make sure adequate funds are put aside.

Mr. Bolduc said in the second period of FY'13 the Hartford and Ellington landfills show up because post-11-15-2012 there is a shift to a new paradigm and those items will now be post-closure costs in the Landfill Division.

Director Griswold asked management for a statement that an adequacy analysis was performed. He asked for a statement for each noting that the balance is sufficient for future liabilities

Director Griswold asked if insurance costs are high because of environmental risks. Mr. Bolduc replied that is accurate. Director Griswold asked why the contingency for the Shelton Landfill is 11% and Wallingford is 10% when the others have zero, or very little contingencies. Mr. Duvall replied that as part of the CT DEEP permit a certain contingency was required as each landfill contained a hazardous waste cell. Mr. Kirk explained that there are different levels of requirements for a hazardous waste cell versus a MSW cell including placing money in a trust. He said a cell is a portion of the landfill which has been managed and closed as a section so that all of the leachate can be controlled.

Director Griswold asked what type of activity the construction lines encompass. Mr. Duvall replied maintenance due to erosion, drainage, and other related work. Mr. Kirk said there are no capital improvements included only maintenance repairs which are needed to maintain the as built design of the closure plan to ensure everything continues to work as designed.

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

5. Informational Section

Chairman Martland said the Informational section had been thoroughly reviewed and noted the Committee had no comments.

EXECUTIVE SESSION

Chairman Martland requested a motion to enter into Executive Session to discuss pending litigation and pending RFP responses. The motion was made by Director Griswold and seconded by Director Slifka. 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 10:07 a.m. and concluded at 10:37 a.m.

The meeting was reconvened at 10:37 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 Slifka and seconded by Director Griswold.

The meeting was adjourned at 10:37 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal