

**Finance Committee
Feb. 14, 2014 Special Meeting
Draft Minutes**

Members Present: Committee Chairman Joel Freedman
 Jim Hayden
 Scott Shanley
 Andy Nunn (present by telephone)

CRRA Staff Present: Tom Kirk, President
 Mark Daley, Chief Financial Officer
 Jeffrey Duvall, Director of Budgets and Forecasting
 Peter Egan, Director of Operations and Environmental Affairs
 Tina Mateo, Assistant Director of Budgets and Cash Management
 Thomas Edstrom, Interim Risk Manager
 Sotora Montanari, Education Supervisor
 Nhan Vo-Le, Director of Accounting
 Moira Kenney, HR Specialist/Board Administrator

Also Present: Jenny Hook, Aon Risk Services (present by telephone until 11:05
 a.m.), John Pizzimenti, USA Hauling

PUBLIC COMMENT

Chairman Freedman called the meeting to order at 10:30 a.m. He said there were no members of the public who wished to comment and proceeded with the agenda.

1. MOU Related Insurance Update

Mr. Kirk said Tom Edstrom is CRRA’s new Interim Risk Manager. He said that Jenny Hook, the Environmental Insurance Specialist from Aon Risk Services is on the phone to provide the Committee with an update concerning insurance issues associated with the current Memorandum of Understanding (hereinafter referred to as “MOU”).

Chairman Freedman said that he, Board Chairman Stein, and Vice-Chairman Barlow had met with Luke Bronin, Esq. attorney for Governor Malloy. He said the matter of contingent liability for CRRA has created an issue with the development of the MOU. Chairman Freedman asked Ms. Hook to provide a report on the process of obtaining the required insurance.

Mr. Kirk said CRRA has been looking at several different insurance products based on the moving target of MOU negotiations. Mr. Kirk said initially CRRA was not transferring the permits, an issue which has since been resolved. Ms. Hook said the insurance products are to mitigate CRRA’s risk moving forward if transferring title of the landfill real estate is not possible. Mr. Kirk said the current task is to

investigate the availability and anticipated costs of long term risk mitigation of continued ownership of the landfill which will be operated by the Connecticut Department of Energy and Environmental Protection (hereinafter referred to as the CT DEEP).

Ms. Hook said getting separate coverage for the five landfills (in the event that CRRA doesn't transfer title) will be difficult. She noted she had provided CRRA's former Risk Manager with an e-mail based on the markets. Ms. Hook said the current pollution policy underwriter came up with some pricing estimates given the fact that CRRA doesn't have all the underwriting it needs. Ms. Hook said the next step is to get hard quotes from the market at which point there are some issues which will need to be addressed. She said in order to get serious attention from the market, with the exception of ACE (which has been writing CRRA's business for years and is comfortable with CRRA), other carries will have a substantial list of questions which need to be answered. She and Ms. Martin have put together a list of questions which Chairman Freedman asked to be provided to the CT DEEP and the administration.

Ms. Hook said in order for the underwriters to document their files accordingly they need to understand how the State of Connecticut is going to be operating the landfills. She said if other markets besides ACE are going to be engaged an engineering meeting and walk through of the landfills will most likely need to occur. Ms. Hook said members of the operating team at the State would need to be included in that walk through. She said based on past experience it will take a couple of weeks to get a meeting on the books and then at least six weeks to get hard quotes from all the markets.

Ms. Hook said she has talked with ACE and the engineers which have most recently been through the engineering discussions and meetings, all of whom have concerns as they have spent time looking at CRRA before and lost. She explained looking at an exposure like CRRA is a big underwriting effort. Ms. Hook said she has received polite declinations from those companies. She said the next step would be going back to the other markets which have declined in the past to try and engage them.

Chairman Freedman said in order to proceed with the MOU process the questions which were provided to CRRA's Risk Manager should be provided to the CT DEEP in addition to setting up an engineering meeting. Mr. Kirk said Deputy Commissioner Mack McCleary and Luke Bronin, Esq. and the Board would be provided with a copy of the questions along with a transmittal of the obstacles.

Chairman Freedman asked if there are questions on items excluding pollution liability. Ms. Hook said CRRA's Risk Manager was working with the overall account manager on other policies. She said CRRA has an annual policy of \$218,000 for \$20 million in limits. Chairman Freedman asked Ms. Hook if she felt premiums would go up or down if the State was operating the landfill with CRRA continuing to operate the property. Ms. Hook said over the last 5-7 years CRRA's pricing has been reduced by \$100,000 due to marketing efforts and she sees no likely material increase in the next two to three years but couldn't say past those dates.

2. Review and Recommend Resolution Regarding Disposition of Accounts and Flow of Funds Associated with the Connecticut Resources Recovery Authority's Property Division

Chairman Freedman requested a motion on the above referenced item. The motion was made by Director Shanley and seconded by Director Hayden.

WHEREAS, The Authority has developed a Transition Plan and Ten Year Financial Plan in response to the requirements of Section 9 of Public Act 13-285; and

WHEREAS, Such plan anticipates that certain actions be taken to ensure that the Authority remains a financially self-sufficient public instrumentality and political subdivision of the State for a period of at least ten years; and

WHEREAS, such actions include, but are not limited to, establishing a Tip Fee Stabilization Fund, making certain funds available for the Connecticut Solid Waste System (CSWS) Major Maintenance and Capital Improvement Program, and utilizing the Authority's bonding capability to provide further funding for such program; and

WHEREAS, Utilizing the Authority's bonding capability will ultimately require an integrated financial structure including a defined flow of funds and pledge of revenues derived from the Authority's Property Division; and

NOW THEREFORE, be it

RESOLVED: The Board of Directors approves the Property Division Flow of Funds attached hereto as Exhibit A.

RESOLVED: The Board of Directors approves the establishment of new accounts, closing of existing accounts and redistribution of funds within the Property Division as described in Exhibit B attached hereto.

RESOLVED: The Board of Directors authorizes Authority Management to undertake such actions as described on Exhibits A and B effective as of March 1, 2014.

Mr. Daley reviewed the presentation contained in the Finance Package in detail with the Committee. Director Shanley said that the flow of funds resolution and additional directives have created more credibility concerning account balances.

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

3. Review and Recommend – Property Division

Chairman Freedman requested a motion on the above referenced item. The motion was made by Director Shanley and seconded by Director Hayden.

RESOLVED: That the fiscal year 2015 Connecticut Resources Recovery Authority Property Division Operating Budget attached hereto as Exhibit A be adopted substantially in the form as presented and discussed at this meeting; and

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the applicable Property Division accounts and reserves to pay for costs and fees incurred during Fiscal Year 2015 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 Policies and Procedures; and

FURTHER RESOLVED: That the Authority contribute \$85,000 to the Severance Reserve; and

FURTHER RESOLVED: That \$3,000,000 be contributed to the CSWS Improvement fund from existing resources of the Property Division; and

FURTHER RESOLVED: That the Authority establish a Property Division General Fund and contribute all remaining operating funds as described in the Disposition of Accounts and Flow of Funds which is anticipated to be \$2,209,000 in Fiscal Year 2015.

Mr. Daley reviewed the presentation contained in the Finance Package in detail with the Committee. He said in the last resolve the anticipated flow of funds is incorrectly stated as \$2,209,000 and should actually read \$2,194,000.

Director Shanley made a motion to amend the resolution as stated, which was seconded by Director Hayden.

4. Review and Recommend – Property Division as Amended

Chairman Freedman requested a motion on the above referenced item as amended. The motion was made by Director Shanley and seconded by Director Hayden.

RESOLVED: That the fiscal year 2015 Connecticut Resources Recovery Authority Property Division Operating Budget attached hereto as Exhibit A be adopted substantially in the form as presented and discussed at this meeting; and

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the applicable Property Division accounts and reserves to pay for costs and fees incurred during Fiscal Year 2015 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 Policies and Procedures; and

FURTHER RESOLVED: That the Authority contribute \$85,000 to the Severance Reserve; and

FURTHER RESOLVED: That \$3,000,000 be contributed to the CSWS Improvement fund from existing resources of the Property Division; and

FURTHER RESOLVED: That the Authority establish a Property Division General Fund and contribute all remaining operating funds as described in the Disposition of Accounts and Flow of Funds which is anticipated to be \$2,194,000 in Fiscal Year 2015.

The motion previously made and seconded was approved as amended.

5. Review and Recommend Resolution Regarding Disposition of Accounts and Flow of Funds Associated with the Connecticut Resources Recovery Authority's CSWS Division

Chairman Freedman requested a motion on the above referenced item. The motion was made by Director Shanley and seconded by Director Hayden.

WHEREAS, The Authority has developed a Transition Plan and Ten Year Financial Plan in response to the requirements of Section 9 of Public Act 13-285; and

WHEREAS, Such plan anticipates that certain actions be taken to ensure that the Authority remains a financially self-sufficient public instrumentality and political subdivision of the State for a period of at least ten years; and

WHEREAS, such actions include, but are not limited to, establishing a Tip Fee Stabilization Fund, making certain funds available for the Connecticut Solid Waste System (CSWS) Major Maintenance and Capital Improvement Program, and utilizing the Authority's bonding capability to provide further funding for such program; and

WHEREAS, Utilizing the Authority's bonding capability will ultimately require an integrated financial structure including a defined flow of funds and pledge of revenues derived from the Authority's CSWS Division; and

NOW THEREFORE, be it

RESOLVED: The Board of Directors approves the CSWS Division Flow of Funds attached hereto as Exhibit A.

RESOLVED: The Board of Directors approves the establishment of new accounts, closing of existing accounts and redistribution of funds within the CSWS Division as described in Exhibit B attached hereto.

RESOLVED: The Board of Directors authorizes Authority Management to undertake such actions as described on Exhibits A and B effective as of March 1, 2014.

Mr. Daley reviewed the presentation contained in the Finance Package in detail with the Committee.

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

6. Review and Recommend – CSWS Division Budget

Chairman Freedman requested a motion on the above referenced item. The motion was made by Director Shanley and seconded by Director Hayden.

RESOLVED: That the fiscal year 2015 Connecticut Resources Recovery Authority CSWS Division Operating and Capital Budgets attached hereto as Exhibits A and A1 be adopted substantially in the form as presented and discussed at this meeting; and

FURTHER RESOLVED: That the following tip fees be adopted for the Fiscal Year 2015 operating budgets; and

WASTE STREAM	TIP FEES
Base Disposal Fee/Tier 1 Short-Term (per ton)	\$64.00
Tier 1 Long-Term/Tier 3 (per ton)	\$62.00
Tier 2 (per ton)	\$66.00
Spot Waste (per ton)	Market Rate
Bulky Waste (per ton)	\$85.00
Ferrous (per ton)	Market Rate
Mattress/Box Springs Surcharge (per unit)	\$30.00
Recycling; Single or Dual Stream (per ton)	No Charge

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the applicable CSWS accounts and reserves to pay for costs and fees incurred during Fiscal Year 2015 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 the Authority contribute \$85,000 to the Severance Reserve, \$100,000 to the Legal Reserve and \$191,000 to the CSWS Risk Reserve; and

FURTHER RESOLVED: That a the Authority contribute \$7,425,000 to the CSWS Improvement Fund from the Fiscal Year 2015 CSWS operating budget and adopted CSWS flow of funds; and

FURTHER RESOLVED: That the Authority establish a CSWS General Fund and contribute all remaining operating funds as described in the Disposition of Accounts and Flow of Funds which is anticipated to be \$500,000 in Fiscal Year 2015.

Director Shanley asked if management considered holding the tip fee flat given that CRRA is being conservative with its electric sales. Mr. Kirk replied no. He said unless the tip fee stabilization fund of \$205,000 gets positive management does not think the tip fee should be lowered. Mr. Kirk said management is conservative on electric sales however management is also aggressive on its spot pricing. He said management is pleased to see the \$62.00 number can be maintained while staying below the ultimate opt-out price.

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

INFORMATIONAL

There informational section was reviewed and no comments were made.

EXECUTIVE SESSION

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

Tom Kirk
Mark Daley
Peter Egan
Laurie Hunt

The Executive Session commenced at 12:45 p.m. and concluded at 1:25 p.m.

The meeting was reconvened at 1:25 p.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 Freedman requested a motion to adjourn the meeting. The motion was made by Director Hayden and seconded by Director Shanley.

The meeting was adjourned at 1:25 p.m.

Respectfully submitted,

Moira Kenney
HR Specialist/Board Administrator