Finance Committee
May 21, 2009, Regular Meeting

Draft Minutes

Members Present: Linda Savitsky, Committee Chairperson
Raymond O'Brien, Committee Vice-Chairman
Ted Martland
Alan Desmarais

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Bronisz, Assistant Treasurer and Director of Finance
Moira Kenney, Secretary to the Board/Paralegal

Committee Chairperson Savitsky called the meeting to order at 9:35 a.m. and noted that there was a quorum.

Mr. Bolduc stated that there were no members of the public present.

1. Approval of Minutes of the April 16, 2009, Finance Committee Meeting

Committee Chairperson Savitsky requested a motion to accept the minutes of the April 16, 2009, Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Martland.

The minutes were approved as amended and discussed unanimously by roll call.

2. Review and Recommend for Board Approval Independent Auditing Services

Committee Chairperson Savitsky requested a motion regarding the above-captioned matter. Vice-Chairman O'Brien made the following motion:

> **RESOLVED**, That the President of the Authority be, and hereby is, authorized to enter into a contract with the auditing firm of _____ as substantially presented at this meeting. This contract will commence on June 1, 2009 and expire on March 31, 2012.

Chairperson Savitsky said that all members of the Committee received a full package including a list of all firms to which this package was sent directly. She said that notations were included as to which declined, did not respond, and which submitted proposals. Chairperson Savitsky said that three firms submitted responses and two were interviewed the following week.

Chairperson Savitsky said that she was unable to attend the interviews. She said she is familiar with one of the firms and is a little concerned regarding the pricing and the number of estimated hours attributable to the job by one firm. She explained that she felt that 310 hours was

to low and that 500 was probably about right. She said unfortunately there is not a comparison from the incumbent.

Mr. Bolduc said that he had obtained that information from Carlin Charon & Rosen (hereinafter referred to as "CCR') which indicated that the audit had taken approximately 460 hours. He said that in addition CCR indicated that compliance with new auditing standards would have likely taken roughly an additional 40 hours resulting in a total of 420 hours for the audit.

Chairperson Savitsky said that in her experience that getting a price that appears to be low with low hours results in getting an additional bill with additional hours and that often the initial low price is far costlier in the long run.

Director Desmarais said that in his opinion low hours indicate that an experienced partner is performing the audit. He said that he thinks that one of the responses is from a firm with a strong Connecticut background which has worked with quasi-publics before. Director Desmarais said that the Lottery Commission provided an excellent reference for UHY, LLP. Director Desmarais said either one of the firms interviewed are acceptable in his opinion.

Vice-Chairman O'Brien said that he questioned both of these firms with regards to their hour estimates. He said that UHY, LLP has prior experience with CRRA and an understanding of what needs to be done. He said the other firm stated if their estimate is high they will make some additional money. He said he looked at the costs in addition to the time and the cost is in range of what would be paid to UHY, LLP not counting any additional work. He said between the two he felt the better choice was UHY, LLP.

Mr. Bolduc said a third smaller firm was not on the interview schedule as it has only three employees. He explained they have no quasi or solid waste experience.

Committee Chairperson Savitsky said that she is concerned that UHY, LLP served as CRRA's accounting firm during some past financial issues.

Vice-Chairman O'Brien said that he was not satisfied with the firm's explanation of their audit report that year when an item was not red flagged as possibly problematic.

Director Desmarais explained the firm had said it was an energy purchasing sale agreement. He said their representative said that what happened was due to the loss of the letter of credit. He said the letter of credit would have covered any losses but was waived during the process. Director Desmarais said it was a Board decision to not have a letter of credit and the firm hadn't flagged the absence of one.

Vice-Chairman O'Brien said that he was not comfortable with the firm's explanation of why they did not bring attention to the absence of a letter of credit. He said to the best of his recollection a partner said that the report of that transaction was not based on the advice of counsel.

The Committee undertook a substantial discussion with concern to selecting the most appropriate auditing firm.

Committee Chairperson Savitsky said that she is leaning toward selecting Bollam, Sheedy, Torani & Co. She said that she is concerned that the firm has a conflict with Pepe & Hazard with auditing services. Director Desmarais said that they had audited Pepe's 401 k, which was disclosed.

Vice-Chairman O'Brien said that he would be comfortable with Bollam, Sheedy, Torani & Co. despite the price differential if it means a more comprehensive and accurate audit. He said he is concerned that they are out of State. Vice-Chairman O'Brien said that he is concerned about the omission in the 2002 audit.

Committee Chairperson Savitsky asked if anyone else besides John Schuyler was involved in the 2002 CRRA audit. Mr. Bolduc said he believes the other principal was also involved and would serve during the CRRA audit. She said the one thing outstanding about UHY, LLP is the involvement of Suzanne Peyton, who is deeply involved in writing government accounting standards.

Director Martland asked that a copy of the 2002 audit be provided for the Board meeting. Vice-Chairman O'Brien asked that if a copy of the minutes which detailed the decision to move forward without a letter of credit is available that they be provided for the Board.

Committee Chairperson Savitsky said that she will also have a conversation with Bollam, Sheedy, Torani & Co.

Mr. Bolduc said that he will send the Committee the 2001 and 2002 sections of the audit which relate to Enron, and the balance sheet. Director Desmarais asked for a timeline of what happened as well.

Committee Chairperson Savitsky asked that it be noted for the full Board that two out of the three firms which submitted a response were interviewed.

The Committee agreed to move the resolution to the full Board without recommendation pending full disclosure of interview results and requested information.

3. Review and Recommend for Board Approval SWEROC Budget FY2010

Committee Chairperson Savitsky requested a motion regarding the above-captioned matter.

Vice-Chairman O'Brien made the motion to approve the SWEROC Budget for FY2010.

The motion was seconded by Director Desmarais.

Vice-Chairman O'Brien said that he is very pleased that SWEROC was able to continue. Mr. Kirk said he believes 12 towns are involved with 40,000 tons. Vice-Chairman O'Brien said that this project is an important part of CRRA's mandate from the State of Connecticut.

Mr. Kirk said that management is actively pursing what's called a substitute environmental program (hereinafter referred to as "SEP"). He explained Covanta's Wallingford operation had a Wallingford emission which resulted in a consent order with an accompanying $550,000 payment. He said the CT DEP allows the offending party to pay money towards a community environmental benefit in lieu of sending a check to the general fund. Mr. Kirk said that CRRA is hoping to direct Covanta to spend that money on the museum as the SEP. Mr. Kirk said if this was possible the museum would be funded for two more years.

Mr. Kirk said the funding is needed by July 1, 2009, or the museum will have to close.

Committee Chairperson Savitsky asked if the museum can be temporarily funded until this gets worked out. Mr. Kirk said that management is pursuing funding from SWEROC. He explained there is about $100,000 of unencumbered money and that CRRA has suggested that SWEROC keep the museum funded temporarily with those funds until the SEP decision is made.

The Committee discussed possible funding sources and methods to keep the Stratford garbage museum open.

Committee Chairperson Savitsky asked Mr. Kirk what the Committee can do to assist with keeping the garbage museum open. Mr. Kirk said that he will confirm when the Committee can assist.

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

4. Review and Recommend for Board Approval Workers Compensation/Employee Liability

Committee Chairperson Savitsky requested a motion regarding the above-captioned matter. Vice-Chairman O'Brien made the following motion:

> **RESOLVED**, CRRA purchase Workers Compensation/Employers Liability insurance with a statutory limit and $1,000,000 limit for Employers Liability, for a premium of $56,896 from Connecticut Interlocal Risk Management Agency (CIRMA) for the term 7/1/09 – 7/1/10, as discussed at this meeting.

The motion was seconded by Director Martland.

Committee Chairperson Savitsky said that this resolution is self explanatory. Mr. Bolduc said that CIRMA is the only company which submitted a response. He said the current policy expires in June and this resolution serves to provide coverage at that point.

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

5. Informational

Committee Chairperson Savitsky noted that there were no comments under the Informational section of the package and noted that those portions were thoroughly reviewed by the Committee.

Vice-Chairman O'Brien asked that recognition of the CAFR award be added to the Board agenda.

Mr. Bolduc said a summary of the post-closure reserve for the Bridgeport Project will be provided for the informational section of the June Finance package. He said the set-up of reserves for several items was done the prior month and the items that need to be quantified will be brought to the Finance Committee in June as well.

6. Executive Session

Committee Chairperson Savitsky requested a motion to enter into Executive Session to discuss pending litigation. The motion was made by Director Martland and seconded by Vice-Chairman O'Brien. The motion previously made and seconded was approved unanimously by roll call. Committee Chairperson Savitsky 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 10:37 a.m. and concluded at 11:40 a.m.

The meeting was reconvened at 11:40 a.m., the door was opened, and the Board secretary and all members of the public were invited back in for the continuation of public session.

ADJOURNMENT

Committee Chairperson Savitsky requested a motion to adjourn the meeting. The motion made by Vice-Chairman O'Brien and seconded by Director Desmarais was passed unanimously.

The meeting was adjourned at 11:41 a.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal