

**Finance Committee
July 16, 2009, Regular Meeting**

Draft Minutes

Members Present: Chairman Michael Pace
Linda Savitsky, Committee Chairperson
Vice-Chairman O'Brien
Mark Lauretti (present by telephone)
Alan Desmarais (present beginning 10:25 a.m.)

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Jeff Duvall, Manager of Budgets and Forecasting
Paul Nonnenmacher, Director of Public Affairs
Rich Quelle, Senior Engineer
Mike Tracey, Director of Operations
Nhan Vo-Le, Director of Accounting
Moira Kenney, Secretary to the Board/Paralegal

Committee Chairperson Savitsky called the meeting to order at 10:00 a.m. and noted that there was a quorum.

1. Approval of Minutes of the June 11, 2009, Finance Committee Meeting

Committee Chairperson Savitsky requested a motion to accept the minutes of the June 11, 2009, Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Committee Chairperson Savitsky.

The minutes were approved as amended and discussed by roll call. Vice-Chairman O'Brien abstained as he was not present at the last meeting.

2. Review and Recommend for Board Adoption Resolution Regarding Funding of Shelton Landfill Post Closure Reserve

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

WHEREAS, On July 1, 2009, the Connecticut Department of Environmental Protection (CTDEP) issued a tentative determination and a draft permit for a stewardship permit for the Shelton landfill which required a 15% contingency be added for the entire landfill due to the presence of a hazardous waste cell located within the Shelton landfill; and

WHEREAS, CRRA reviewed the assumptions for the reserve earnings rate and the annual inflation rate and adjusted these rates to account for present economic conditions;

NOW, THEREFORE, it is

RESOLVED: that to meet the additional funding requirements, \$1,300,000 be transferred from the Bridgeport Project Operating Account to the Shelton Landfill Post Closure Reserve STIF

The motion was seconded by Director Lauretti.

Mr. Bolduc said that concerning the Shelton landfill final approval has been granted by the Connecticut Department of Environmental Protection (hereinafter referred to as the "CT DEP"). He said that because there is a small hazardous cell, which was part of the old landfill some 20 years ago when CRRA applied to the EPA an additional \$1.3 million was required to be placed in the account reserves. Mr. Bolduc said the total estimated cost of the project is \$14.585 million. Mr. Bolduc said the need for additional reserves as a result of hazardous cells will also take place at the Wallingford landfill, a fact that Mr. Egan has explained to the Wallingford Policy Board. He said both of these hazardous cells were inherited by CRRA.

Chairman Pace asked where the \$1.3 million will come from. Mr. Bolduc responded that the Bridgeport Project has about \$4 million but management is looking at extra cash and it will come out of that. He said that \$1.3 million plus the monies the Committee will be discussing (about \$700,000) and the final audit will be done assuming that money will be distributed and management will be presenting that to the Board. Mr. Bolduc explained that he has held discussions with the President of the Southwest Project, Mr. Edwards, regarding these issues.

Vice-Chairman O'Brien said that he did not have confidence that inflation will be as low as the estimate used by management in the 10-year rolling calculations due to changes in government and the measure of debt being taken on by the country. He asked if CRRA has received any updated figures from economists on predicted inflation figures.

Mr. Bolduc said that what was critical here is the spread. He said if inflation goes up so do the earnings in the STIF rate. He said the estimates are the most current data management has. Mr. Kirk said that he had held similar discussions with Mr. Bolduc concerning CRRA's best estimates. Mr. Kirk said the biggest risk here is the possibility that the CT DEP may put more requirements into effect over time which may be costly for CRRA to meet.

Director Lauretti asked if there is a contemplated schedule of disbursements for that fund. Mr. Kirk replied that the disbursement in a year-by-year basis is shown in the schedule which is part of the write-up. Mr. Bolduc said that the schedule was developed by the environmental department.

Vice-Chairman O'Brien asked who would be responsible for the possible costs associated with any potential requirement changes from the CT DEP. Mr. Kirk said that it is management's opinion that the project is ultimately responsible, however, the issue is complicated and has been discussed at length.

After substantial discussion the Committee agreed that an extended assessment by CRRA's economic advisor should be obtained concerning the economic modeling for the predicted trend of interest.

Amendment to the Motion

Vice-Chairman O'Brien revised his motion to state that this item will be sent to the full Board for approval pending additional information. Director Lauretti agreed as the seconder of the motion.

The motion as amended was approved unanimously by roll call.

3. Review and Recommend for Board Adoption Resolution Regarding the Funding of the Bridgeport Post Project Reserve and Bridgeport Risk Reserve

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

WHEREAS, On March 26, 2009, the Connecticut Resources Recovery Authority's (the "Authority") Board of Directors ("Board") adopted a resolution authorizing the establishment of a Post Project Reserve and a Risk Reserve relating specifically to the former Bridgeport Project; and

WHEREAS, upon its review, the Authority has determined the initial funding amounts for these reserves.

NOW, THEREFORE, it is

RESOLVED: that two separate and distinct Short Term Investment Funds ("STIF") administered by the Office of the Connecticut State Treasurer be established for these two reserves; and

RESOLVED: That \$725,000 be transferred from Bridgeport project subaccount STIF account to the following STIF accounts:

\$625,000 to the Bridgeport Post Project Reserve STIF account

\$100,000 to the Bridgeport Risk Reserve STIF account

The motion was seconded by Director Desmarais.

Mr. Bolduc said that the handout which he had distributed had two small changes from what was contained in the package. He explained under the Waterbury landfill closure there was a change in wording from "CRRA administrative" to state "CRRA environmental and engineering." He said secondly the notes contained at the bottom of the handout now reflect that there is a \$145,000 transfer station subsidy that management is expecting from the City of Bridgeport. Mr. Bolduc said that the invoice has been accrued for but has not been received. Committee Chairperson Savitsky asked if the amount will be taken off the amount that Bridgeport owes CRRA.

Mr. Bolduc said that both Bridgeport and East Haven have not moved at all towards paying CRRA. He said if the \$1.3 million figure holds and does not increase there will most likely be a \$1 million to \$2 million distribution in September. He said if the \$1.1 million spread goes higher management will have to recalculate this number which may add more dollars and that the number will also have to be recalculated for the Waterbury landfill post-closure which will take dollars away.

Mr. Bolduc explained that calculations on the disbursements for the Bridgeport Project would be done. He said that because Bridgeport and East Haven both owe significant amounts to the project those would be subtracted from any disbursement they would receive in recognition of their debt. He said the alternative is to deal with the issue through possible arbitration.

Chairman Pace asked whether the books are going to show that East Haven and Bridgeport owe the project money when this is closed out. Mr. Bolduc said that before Carlin Charon & Rosen finish its review management will set up a 100% bad debt reserve for both so that there is no impact on the balance sheet. Mr. Bolduc said that the remaining funds will flow down to a surplus which will then be distributed to the towns.

Director Desmarais said the SWEROC Chairman, Mr. Edwards, the City of Bridgeport, and the City of East Haven must be informed of these steps.

The Committee undertook a substantial discussion concerning this matter.

The Committee agreed that a signed confirmation from both East Haven and Bridgeport acknowledging the debt should be obtained.

Vice-Chairman O'Brien asked why the Shelton landfill post-closure reserve of \$60,000, which is going into the STIF fund, is not being transferred into the Shelton post-closure reserve now. Mr. Bolduc explained that the funds are for work which was supposed to be done in FY'09 which is now being done in FY'10. He said in fact if there is money in the post closure reserve and that \$60,000 will be freed up and included in the distribution.

Vice-Chairman O'Brien asked why those funds can't be placed into the Shelton post-closure reserve. Mr. Bolduc said those funds can be transferred.

Vice-Chairman O'Brien asked what the transfer station legacy costs are. Ms. Bronisz replied that is a \$30,000-a-year pollution premium for the transfer stations for which CRRA is responsible for paying the next five years. Mr. Bolduc said it is a contingency in the likelihood that something happens.

Director Laretti said that concerning the final distribution, that management must set up a meeting with the CEOs of the original 18 towns that were part of the Project to discuss a possible distribution. The Committee agreed.

Vice-Chairman O'Brien suggested that the \$607,000 be rounded to \$625,000 and that the \$18,000 be split up as management feels is appropriate.

The motion previously made and seconded was approved unanimously.

4. Review and Recommend for Board Adoption Resolution Regarding the Adoption of the Fiscal Year 2010 Garbage Museum Operating Budget

Committee Chairperson Savitsky requested a motion regarding the above-captioned matter. Director Desmarais made the following motion:

WHEREAS: The Garbage Museum has collected a total of \$99,000.00 from admission fees and museum tours, donations and grants, and fundraising activities; and

WHEREAS: The Garbage Museum will receive a fund transfer of \$100,000.00 from Southwestern Connecticut Regional Recycling Operating Committee (SWEROC) as approved at its July 8, 2009, meeting; therefore be it

RESOLVED: That the fiscal year 2010 Garbage Museum Operating budget totaling \$199,000.00 be adopted as presented at this meeting.

The motion was seconded by Vice-Chairman O'Brien.

Mr. Bolduc said that there is currently no budget in place for the Garbage Museum. He said that Mr. Nonnenmacher and the educators went through significant efforts to raise funds for the museum and that SWEROC Board voted in favor of moving \$100,000 to keep the museum funded. He said those funds have been put together as a budget which is now being brought to the full Board for approval.

Mr. Nonnenmacher said that it is projected between admission fees, grants, and contributions and other sources of revenue (along with \$100,000 from SWEROC) that the Museum will be open for the entire fiscal year. Mr. Nonnenmacher said that this buys the Museum time to secure larger donations and also provides the Museum the credibility necessary to assure potential donors that the museum will stay open with any donated funds.

Mr. Kirk said that the CT DEP has not finalized the SEP dollar amount. He said that the CT DEP has indicated that it prefers its own "wish list" be provided prior to assisting the Museum. Mr. Kirk said that at the request of Covanta efforts to convince the CT DEP to use the SEP funds have not been put into effect but will most likely be undertaken in the next few days.

Mr. Nonnenmacher replied that what SWEROC did was to put money into an establishment that directly supports its mission. He said in addition there has been a long established relationship in which SWEROC has been funding the Museum for a number of years. He said it is important to note that Mr. Egan and Mr. Bzdyra had conversations with the Regional Vice-President of Covanta, Steve Diaz, concerning Covanta's conversation with the CT DEP. Mr. Nonnenmacher said that CT DEP told Covanta verbally the list for uses of the SEP money did not have the museum on it. He said that Covanta has asked the CT DEP repeatedly for the written list of SEP ideas and has not received that list.

Mr. Nonnenmacher said that management had informed Covanta that if Covanta does not receive further communications from CT DEP this week concerning that list management will attempt to convince the CT DEP that the Museum should be on their wish list.

Director Desmarais suggested that the anticipated funding from admissions and grants termed “other” in the museum budget be referred to as fundraising and/or donations and grants.

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

5. Review and Recommend for Board Adoption Resolution Regarding Distribution of Recycling Rebates to Mid-Connecticut Project Member Municipalities

Committee Chairperson Savitsky requested a motion regarding the above-captioned matter. Vice-Chairman O’Brien 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 member cities and towns; and

WHEREAS, Mid-Connecticut Project cities and towns delivered more than 79,000 tons of recyclables in FY 2009; and

WHEREAS, While recycling tonnages decreased from year to year in the remainder of the state, the Mid-Connecticut Project cities and towns delivered approximately 81,000 tons of recyclables in FY 2009, an increase of about 2%; and

WHEREAS, The Board of Directors adopted the FY 2009 Mid-Connecticut Budget that included a \$10.00 per ton rebate provision for member municipalities based on the amount of acceptable recyclable tons annually delivered; and

WHEREAS, Despite the unfavorable commodity market conditions, 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; now therefore be it

RESOLVED: That the Board of Directors approves the use of approximately \$405,000.00 to provide a \$5.00 per ton rebate to the municipalities based on their pro-rata share of acceptable recycling tonnage delivered to the Mid-Connecticut Regional Recycling Center system.

The motion was seconded by Director Desmarais.

Mr. Kirk said that at the end of the year CRRA ran sufficient surplus to in the recycling program to be able to consider a reduced rebate similar to the \$10.00 rebate the prior year. He explained that management is recommending a \$5.00 rebate which is essentially all of the money that was made.

Mr. Kirk said the single-stream numbers continue to show great promise. He said there is effective communication with the member towns concerning this issue.

Director Desmarais asked what sufficient surplus means. Mr. Kirk explained there is more money coming in concerning the commodities market than it is costing. He said that he was extremely surprised given the crash in the recycling market.

Mr. Nonnenmacher said that for most of the past year management has been forwarding information to the towns that there will most likely be no rebate this year due to the drop in the commodities market and this will come as a pleasant surprise.

Director Desmarais said that how this rebate is going to be received by the towns is extremely important. He asked if the available funds are the complete surplus from recycling numbers. Mr. Bolduc said it is close. Director Desmarais suggested sharing the total amount or providing a \$5.22 check instead. Mr. Duvall said that June's numbers have not been totaled.

The Committee discussed the possibility of using any future funds to provide an electronics recycling drive for member towns.

Committee Chairperson Savitsky asked that management wait to send out any rebate checks until September after the June numbers are received. Director Desmarais said that if the rebate is distributed now that the town finance directors will accrue the check for 2009 and that CRRA will have no recognition for its efforts. The Committee was divided concerning the issue.

Mr. Nonnenmacher said that the prior year when the rebate was provided there was no backlash from the towns expecting the entire amount of revenue collected. He said that in his opinion there is no great risk in providing a \$5.00 check versus one for \$5.65. Mr. Kirk said that it is \$5.00 less than the prior year which may result in some backlash from the towns.

The motion previously made and seconded passed. Chairman Pace voted yes, Vice-Chairman O'Brien voted yes, and Director Lauretti voted yes. Committee Chairperson Savitsky voted no and Director Desmarais voted no.

6. Informational

Committee Chairperson Savitsky noted that the Informational section of the package was thoroughly reviewed by the Committee.

7. Addition of Executive Session to the Agenda

Committee Chairperson Savitsky requested a motion to add an Executive Session to discuss pending litigation to the agenda.

The motion was made by Vice-Chairman O'Brien and seconded by Director Desmarais. The motion previously made to add an Executive Session to the agenda was approved unanimously by roll call.

8. Executive Session

Committee Chairperson Savitsky requested a motion to enter into Executive Session to discuss pending litigation. The motion was made by Vice-Chairman O'Brien and seconded by Director Desmarais. 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 11:20 a.m. and concluded at 12:31 a.m.

The meeting was reconvened at 12:32 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 Director Martland and seconded by Director Desmarais was passed unanimously.

The meeting was adjourned at 12:32 a.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal