

**Finance Committee**  
**Sept. 18, 2008 Regular Meeting**

**Draft Minutes**

Members Present: Linda Savitsky, Committee Chairperson  
Raymond O'Brien, Committee Vice-Chairman  
Alan Desmarais  
Mark Lauretti (present by telephone beginning 10:30 a.m.)  
Theodore Martland

CRRA Staff Present: Tom Kirk, President  
Jim Bolduc, Chief Financial Officer  
Bettina Bronisz, Assistant Treasurer & Director of Finance  
Jeffrey Duvall, Manager of Budgets and Forecasting  
Peter Egan, Director of Environmental Affairs & Development  
Tom Gaffey, Director of Recycling  
Richard Quelle, Senior Engineer (present until 10:30 a.m.)  
Lynn Martin, Risk Manager  
Tina Mateo, Senior Financial Analyst  
Mike Tracey, Director of Operations  
John Romano, Project Manager  
Nhan Vo-Le, Director of Accounting  
Moirra Kenney, Secretary to the Board/Paralegal

Also present: Gerald R. McStravick, Lisa M. Janney, Jean M. Cofield, and Jennifer Hook of Aon Risk Services and Scott Trenholm and Mike VanDeventer of Carlin, Charron & Rosen, LLP

Chairperson Savitsky called the meeting to order at 9:45 a.m. and noted that there was a quorum.

Chairperson Savitsky requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited.

**1. Approval of Minutes of the June 19, 2008, Finance Committee Meeting**

Chairperson Savitsky requested a motion to accept the minutes of the June 19, 2008, Finance Committee meeting. The motion was made by Vice-Chairman O'Brien and seconded by Director Martland. Chairperson Savitsky noted the minutes should note that the word "inappropriately" had been struck from the second whereas in the resolution regarding the MDC budget.

Chairperson Savitsky noted the CCM is not a corporation and should not be described as so.

The minutes as amended and discussed were approved unanimously by roll call. Director Desmarais abstained as he was not present at the meeting.

**2. Resolution Regarding the Purchase of Commercial General Liability, Excess Liability, Pollution Legal Liability and Commercial Automobile Liability Insurance**

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

**RESOLVED:** That CRRA's Commercial General Liability insurance be purchased from Ace American Insurance Company with a \$1,000,000 limit, \$25,000 deductible for the period 10/1/08 – 10/1/09 for a premium of \$250,895 as discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA's \$25 million Excess Liability insurance be purchased as follows: \$10 million from Everest National Insurance Company for a premium of \$120,360 and \$15 million from Allied World Assurance Company for a premium of \$76,500 for the period 10/1/08 – 10/1/09 as discussed at this meeting; and

**FURTHER RESOLVED:** That CRRA's Pollution Legal Liability insurance be purchased from Ace American Insurance Company with a \$20 million limit, \$1 million retention for the period 10/1/08 – 10/1/09 for a premium of \$340,328;

**FURTHER RESOLVED:** That CRRA's Commercial Automobile Liability insurance be purchased from Ace American Insurance Company with a \$1 million limit, liability coverage on all and comprehensive and collision on twelve (12) passenger vehicles and light trucks with a \$1,000 deductible, for the period 10/1/08 – 10/1/09 for a premium of \$65,517.

The motion was seconded by Director Desmarais.

Ms. Martin said that Aon Risk Services has been CRRA's consulting broker for three years. Ms. Martin said that in addition to placing insurance for CRRA Aon serves as a partner in risk management and provides advice and consultation regarding protection for CRRA's operations. She introduced the Aon team and asked Mr. McStravick to further explain Aon's role.

Mr. McStravick said that Aon Risk Services has enjoyed a three year partnership with CRRA. He explained that CRRA's account executive, Lisa Janney, would be reviewing Aon's recommendations for the benefit of the Finance Committee.

Ms. Janney said that she is the team leader and is responsible for the services brought to CRRA from Aon. She said that she would be reviewing with the committee the comparisons between the expiring premium and the recommended renewal premium. Ms. Janney referred the committee to the quote disclosure report which outlines the markets approached for quotes for CRRA's insurance. She said the report also describes market responses and reflects that Aon is paid a flat fee and does not earn commission or contingencies on any of the placements done on behalf of CRRA.

Ms. Janney explained the report also outlines the intermediaries being used to place the umbrella and excess liability insurance. She explained these intermediaries, not Aon, are earning a commission on the two placements, which is standard in the industry. She explained there is no other way to approach these kinds of insurers except through wholesalers/intermediaries. Ms. Janney said that this is the same process used last year.

Ms. Janney reviewed the general liability quote offered by Ace. She said that last year there was a million dollar limit including terrorism with a \$50,000 deductible for \$258,898. She explained the renewal is \$250,895 with a \$25,000 deductible. Ms. Janney said that both Ace and Liberty put up a \$50,000 option, however the difference is not significant and Aon is advising that CRRA go down to the \$25,000 deductible which still includes terrorism. Ms. Janney said the limit is one million per occurrence, with a two million general aggregate. She explained defense costs are outside and are unlimited.

Vice-Chairman O'Brien asked Ms. Janney to identify what caused some companies to decline to quote on the general liability and automobile insurance. Ms. Janney explained there are a host of reasons, mostly focused on the environmental exposures. She explained most insurance companies do not have the desire or ability to write accounts like CRRA's as a result of those environmental exposures.

Vice-Chairman O'Brien asked why insurers are citing environmental exposures as a reason not to quote given there is a separate pollution policy which would exclude environmental issues from the general liability policy. Ms. Cofield explained insurance companies are not comfortable with the overlap or "grey" area between the general liability and pollution exposures. She explained this is not a class of business many of the carriers are willing to participate in as they see the inherent exposure when they look at the whole account of general liability and pollution. Also, Ms. Cofield explained many of the carriers would not write auto liability without also general liability and excess.

Vice-Chairman O'Brien asked if there is anything in CRRA's history on pollution that would be associated with general liability. Ms. Martin said that there was at least one claim that came to mind in the late 90's that began as a pollution claim and also involved general liability which occurred at the Shelton landfill. Ms. Martin explained the insurance carrier's reluctance is more of a philosophical approach to the way they do business rather than CRRA's past claims. She explained that CRRA is just not the type of entity they like to insure.

Director Martland said that he can understand the difficulty in providing insurance for a business such as CRRA. He said that environmental laws are changed so frequently and dramatically a company is insuring something that is moving. Vice-Chairman O'Brien asked that a statement be included in the summary stating insurance carrier's aversion is due to a business policy. Ms. Janney said Aon would alter future reports to reflect that position.

Ms. Janney said regarding the auto insurance that the numbers, terms and conditions are pretty much the same as the prior year. Ms. Janney explained the deductible is also the same at \$1,000 per vehicle for physical damage on selected units. She said that Liberty quoted a variety of deductibles. Ms. Janney said that the excess liability and umbrella liability have \$10 million and \$15 million limits totaling \$25 million for a total premium of \$196,860 including terrorism.

Ms. Janney said the umbrella and the excess liability sit over the general liability, the auto, and the employer's liability. She said the pollution liability is a \$20 million limit with Ace for \$340,328, and that last year this was \$344,666.

Ms. Janney said that the overall program costs last year were \$875,012 and the recommended renewals total \$853,600, at a 2.4% decrease with the lower deductible on the general liability the one significant change.

Ms. Cofield said that she handled the placement for the general liability, auto, and umbrella coverage. She said that although the terms and conditions quoted by Ace and Liberty are very similar that Aon recommends renewing the general liability and auto with Ace as quoted. She explained Ace has been the incumbent carrier for CRRA since 2006 and the only carrier willing to step up to the plate after AIG refused to quote. She said that since taking on CRRA's account Ace has become more understanding of CRRA's needs and is committed to a long term relationship.

Ms. Cofield said it is important to have the same carrier writing both general liability and pollution liability to avoid any gaps in coverage. She said that Ace has improved their policy form and has included the location aggregate which is extremely important. Ms. Cofield said that the current policy has a \$2 million policy aggregate. She explained the renewal policy. Ms. Cofield said each location will have a \$1 million limit each occurrence and a \$2 million aggregate for each location with a policy aggregate of \$10 million.

Ms. Cofield said that Aon had asked for three year policies but neither carrier could provide this. She explained Ace has promised a three year rate guarantee which Ms. Cofield advised that management accept in order to secure that rate guarantee.

Vice-Chairman O'Brien asked if that meant the carrier has the option to not write the insurance next year. Ms. Janney said that is correct and that it also means that CRRA does not have to use Ace either. She added the rate may be lower than the guaranteed price but not any higher. She also said that Aon will still shop CRRA's business every year.

Ms. Cofield said that the auto program is rated on a composite rate. She explained this means additions and deletions of vehicles do not need to be reported until the policy is audited at the end of the year. Ms. Cofield said that Ace will continue to write on the audit rate but Liberty would require reporting the vehicles within thirty days of acquisition or deletion. She added that the deductibles for physical damage vary by the vehicle type for Liberty, versus Ace's one fixed deductible of \$1,000.

Ms. Cofield said that the motor vehicle records of CRRA drivers are not an issue with Ace. She explained Liberty specifically excluded one of CRRA's drivers. She summarized that Aon recommends management continue with Ace.

Director Desmarais asked management if they have a plan for the driver excluded by Liberty. Mr. Kirk said the situation would be evaluated by management. Director Desmarais asked if management asks for motor vehicle records routinely. Ms. Martin said yes, once a year.

Ms. Hook said that she has been involved in marketing CRRA's pollution legal liability policy. She explained that Ace was the only market willing to provide a renewal quote for that coverage this year. She said several other insurance companies were approached who were not willing to provide a quote after reviewing CRRA's disclosure of prior claims. Ms. Hook said landfills are high risk for insurance companies and are typically difficult to underwrite.

Ms. Hook said that Ace is very strong and has a very good underwriter with substantial experience and an environmental consulting background. She explained the underwriter is happy with CRRA's exposures and as a result he is willing to provide the same program as the prior year (\$20 million in limits for a year) for a premium of \$340,328, which is a 1% reduction over last year. Ms. Hook said Ace also provided CRRA with three year term options with higher limits. She explained that because Ace's multi-year quotes require that the aggregate limit (\$20 million) be shared over the three year term, Ace provided premiums for higher aggregates, \$30 million, \$40 million, and \$50 million.

Chairperson Savitsky asked what kind of diligence is being performed by Aon to ensure financial stability on CRRA's behalf given the recent fluctuations in the financial market. Mr. McStravick said that Aon has a specific market security group which monitors each carrier for all of Aon's clients.

Chairperson Savitsky asked if there is a semi-annual or annual analysis and review of the market. Mr. McStravick said that a report is provided quarterly and that any change in the market is immediately reported.

Vice-Chairman O'Brien asked what kind of pollution coverage is provided for CRRA concerning the Franklin ash landfill site. Ms. Martin said that there is no current coverage by CRRA as we do not have an insurable interest yet. Mr. Kirk explained the contractors on the site have included CRRA on their insurance coverage.

Director Desmarais asked what percentage of the market was covered with Aon and their consultant. Ms. Janney said all markets with a potential to offer quotes for CRRA's business were approached. She explained those incapable or disinterested in writing the business were ruled out.

Mr. Bolduc said the three year broker arrangement with Aon is coming to an end and that management is currently working on an RFP. He said that bids have been received and that review will most likely be scheduled. Mr. Bolduc explained after the interviews approval of a new broker will be sought from the Committee and the Board.

The motion previously made and seconded was approved as amended and discussed.

### **3. Review and Recommend for Board Approval and Endorsement FY '08 Audit Financial Statement**

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

**RESOLVED:** That the Board hereby accepts the Annual Financial Report for the fiscal Year Ended June 30, 2008, substantially as discussed and presented at this meeting.

Director Martland seconded the motion.

Chairperson Savitsky asked Mr. Bolduc to inform the Committee of the many agenda items which are planned for this coming fall and reminded everyone of the importance of many of those impending issues. She said that the October Finance meeting will be held on a Wednesday due to scheduling conflicts.

Mr. Bolduc explained that the October Finance meeting was pushed back to Wednesday October 15<sup>th</sup> due to a Supreme Court hearing on October 16<sup>th</sup> and that the Waterbury Court date has been changed to October 28<sup>th</sup> and 29<sup>th</sup>.

Mr. Bolduc said the upcoming October Finance package may be fairly substantial as it will contain the entire reserve review (which is a lengthy document). He said as management moves into the budget cycle in November the general fund budget and the Southeast budget reserve review needs to have been completed.

Mr. Bolduc said the Finance Committee acts as the surrogate for the Audit committee. He explained the auditors from Carlin, Charon, & Rosen will review key points from the audit and review the statement the firm will have to make to the CRRA Board for finalization of the audit. He explained the October Finance meeting will review the management letter from the auditing firm. Mr. Bolduc said the executive session of the October Finance meeting will provide for a discussion between the Committee members and the auditors without management present.

Mr. Bolduc said the three year broker arrangement with Carlin, Charon & Rosen is coming to an end. He explained according to statute that the auditing service provider must be changed every six years and that CRRA's Director of Accounting is presently putting together an RFP to find a new auditor.

Chairperson Savitsky suggested that the RFP should come out in January in order to procure more responses. She explained the firms are typically embroiled in work at a later date. Director Desmarais agreed and said the more time given an accounting firm to respond the better.

Mr. Bolduc said that the requirements for the Wallingford purchase will most likely be discussed in November or December. He explained it will be a challenge for all parties involved because the fair market value will not be known until after the first of the year and a complete package will not be available. He explained the electric purchase agreement will not be available either. Mr. Bolduc said that management had spoken with Citigroup who has been asked to provide a preliminary commitment letter and had also spoken with the State Treasurer's office.

Chairperson Savitsky asked that management schedule a lengthy briefing for the Finance Committee regarding these issues at the November meeting.

Ms. Vo-Lee introduced Mr. Trenholm and Mr. VanDeventer of Carlin, Charon & Rosen, LLP. Mr. Trenholm said that he and Mr. VanDeventer would be providing an overview of the

2008 audit and will be reviewing communication letters and reports that will be issued from the firm.

Mr. Trenholm said he will discuss highlights from the financial statements for the benefit of the Committee. Mr. Trenholm discussed items that have changed from the prior year as well as items that are new. He referred the committee to costs incurred in connection with the siting of the Franklin landfill and amounts which have been appropriately capitalized by management.

Mr. Trenholm explained there is a new accounting standard which will be effective for the financial statements of the next fiscal year. He explained accounting standard 49 (accounting and financial reporting for pollution remediation obligations) involves requirements to accrue liabilities associated with pollution remediation obligations. He explained this statement could have an impact on CRRA. He said that management is examining the standard to determine the possible impact of the adoption.

Director Martland asked if this would affect landfills and their maintenance in the future. Mr. Trenholm replied that the standard would most likely not affect the landfills but may have an affect on other pollution remediation obligations.

Mr. Trenholm reviewed several significant transactions which had occurred during the year. He directed the Committee to the continuation of existing matters. Mr. Trenholm explained the first paragraph discusses accounting for the Enron related settlements. He explained these amounts were received by the Authority in connection with Enron related matters. Mr. Trenholm said that in the current year those settlements totaled roughly \$4.7 million. He said those amounts that are received are recorded. Mr. Trenholm said there were no loss contingencies recorded in the current year related to lawsuits. Mr. Trenholm explained a payment was made of \$36.8 million on the New Hartford litigation judgment. He said that liability was recorded in the prior year and paid in the current year.

Mr. Trenholm said that the last item under significant transactions that he thought he would make note of pertains to the State loan. Mr. Trenholm said the disclosure is that the State Loan had been repaid in fiscal year 2008.

Mr. Trenholm said that he would like to review matters concerning the status of the Bridgeport Project. He said that the auditors had concerns in the past regarding an undesignated unrestricted deficit. Mr. Trenholm said that deficit has declined and now totals \$1,149,000. Mr. Trenholm explained the reduction is indicative of the fact that the liabilities exceed the assets from the perspective of the unrestricted net assets. He said as the project closes the liabilities that exist need to be accurately funded and that resources are available to pay those off.

Mr. Bolduc said that the undesignated negative balance under the Bridgeport Project was \$11,443,000 a year ago. He explained management has been working on the remaining balance and expects it to become a non issue.

Mr. Trenholm said that the contingencies note is complete pending several attorney letters. He explained the outstanding letters would most likely not change the note; however it remains a possibility. Mr. Bolduc said that management was working on obtaining the letters.

Mr. Trenholm reviewed the independent auditor's report with the Committee. He said the auditors will be expressing an unqualified clean opinion on the statement and notes which extends to the supplementary information. He said the opinion does not cover the statistical information and introductory section in the CAFR. He said the package that will be submitted to the state will contain some additional information, such as management discussion and analysis.

Mr. Trenholm said that government accounting standards require the auditors to issue a report on internal control over financial reporting and non compliance and other matters. He explained the report assesses internal control, which did not identify any internal weaknesses. He said the management letter would cover any concerns in detail. Mr. Trenholm said that regarding compliance that there were no instances of non compliance.

Mr. Trenholm said a report will be provided to US Bank with regards to covenant compliance in the bond agreements. He explained it is required per the bond agreements and noted no non-compliance.

Mr. Trenholm reviewed the required auditor communication letter. Mr. Trenholm said that there was no deviation in the planned scope and timing of the audit. He explained there were no new accounting policies or standards and no significant transactions recognized in a different period from where the transactions occurred.

Mr. Trenholm reviewed the four material estimates which management needs to make in putting the financial statements together. He said the first is the closure and post-closure care of the landfill liability which needs to be governed according to GASB #18. He explained the liabilities are \$110 million of which \$60 million is related to this landfill liability.

Mr. Trenholm said the three other material estimates are in the areas of evaluations allowance for accounts receivable. He said the determination of depreciation and amortization on capital assets are influenced by the estimated economic life assigned to the asset when it goes into service.

Mr. Trenholm said the final estimate is for loss contingencies which are recorded based on the likelihood of the underlying event being probable, possible, or remote. He explained judgment must be made by management and counsel on evaluating the event. Mr. Trenholm said the auditors evaluated the key factors and assumptions and determined they were reasonable by management.

Mr. Trenholm reported that there were no significant difficulties encountered in performing the audit.

Mr. Trenholm said that corrected and uncorrected misstatements are items brought to management's attention items that the auditors felt should be adjusted. He explained an adjustment to closure and post-closure care liability that didn't get reported was one such item. Director Desmarais asked what the size of that adjustment was. Mr. Vandeventor replied that the net adjustment was about a \$1.5 million decrease in the liability. Mr. Trenholm said it was made up of about a \$5 million removal of indirect costs and roughly \$3.5 million which should be included which related to some insurance premiums on the pollution liability.

Ms. Vo-Le explained the environmental department spends a lot of time preparing the GASB #18 evaluation to insure the estimated total current cost for all the landfills is estimated appropriately. She said that starting last year the administrative costs were included and that this year the indirect costs were included (including the overhead costs). She explained several weeks ago management and the auditors had a discussion with the environmental department and decided not to include the indirect costs on the basis that it was inappropriate. She said the discussion determined that insurance pollution was appropriate to include in the GASB #18 number. She said as a result there is a net decrease of about \$1.5 million from the liabilities.

Mr. Bolduc said that for each of the landfills management will have to set up two post-closure reserves. He said one would contain the elements that GASB #18 permits, and the other reserve would contain those items such as indirect allocations of overhead as well as certain assurances which are not covered by GASB #18.

Mr. Trenholm reviewed misstatements that were identified by the audit which management did not report as adjustments to the financial report.

Vice-Chairman O'Brien asked what "passed" means. Mr. Trenholm defined the term as adjustments the audit did not require management to record.

Mr. Trenholm explained that the Constellation energy pass through was received in June and is required to be passed through CRRA. He explained that the auditors felt the item should be reported on the liabilities and asset side of the transaction. Ms. Vo-Le explained the money is not a cash or liability obligation for CRRA.

Mr. Trenholm explained the second past adjustment concerns the recycling rebates. He said there are amounts due back to the towns in connection with recycling rebates. Mr. Trenholm explained the rebates should be recorded as a reduction of revenue and that management had recorded them as an expense. He explained there was a classification issue between revenue and expense with no impact on net income.

Mr. Trenholm said the MDC contract accrual has an adjustment in connection with the liability with no impact on the net impact. He said there is a small item relating to post closure and closure liability and that when adjustments were made a small amount was still left. Mr. Trenholm said there was also an unaccrued liability which simply relates to the timing difference in connection with liabilities which entertain to fiscal year 2008.

Mr. Trenholm said that there were no disagreements with management with regards to the audit or disagreements regarding opinion shopping. He said this audit was significantly more encompassing than audits in the past due to new scopes of auditing standards.

Chairperson Savitsky asked why the word "endorsed" was used in the resolution. Director Desmarais suggested the word be changed to accept.

Vice-Chairman O'Brien and Director Martland accepted the change as a friendly amendment to the motion.

The motion previously made and seconded was approved as amended and discussed.

#### **4. Executive Session**

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. Vice-Chairman O'Brien requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk  
Jim Bolduc  
Bettina Bronisz  
Jeff Duvall  
Peter Egan  
Tom Gaffey  
Laurie Hunt  
Tina Mateo  
Mike Tracey

The meeting was reconvened at 12:12 p.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**

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 12:13 p.m.

Respectfully submitted,

Moira Kenney  
Secretary to the Board/Paralegal