

Statement of Work / Schedule of Payments

Purpose: To provide the Department of Energy and Environmental Protection (DEEP) and the Office of Policy and Management (OPM) with a comprehensive operational review of the Connecticut Resources Recovery Authority (CRRA), and to make available, on an ongoing basis, information developed during the course of the review that may assist DEEP and the Resources Recovery Task Force in forming policy recommendations concerning the future status of CRRA.

Scope of Services

The Contractor will implement this statement of work consistent with its proposal. The Contractor shall be directly responsible for planning and implementing this statement of work and must provide the following services and tasks:

- I. A review of all audits, investigations, management consulting engagements, and strategic planning exercises over the past 10 fiscal years (Exhibit A #1), including, but not limited to, the following:**
 - a) A review for any inconsistencies amongst the audits and associated findings and compare the results of these audits to the results of similar Authority internal audit reports.
 - b) A summary of any issues noted, any recommendations made, the status of any remediation efforts, and any inconsistencies amongst audits and associated findings.
 - c) An assessment the governance infrastructure in place to determine the Authority's ability to support audit-like efforts and effectively deal with, remediate, and interpret the results of any such effort.

- II. An analysis of the financial condition of CRRA (Exhibit A #2,4,5), including, but not limited to, the following:**
 - a) A detailed analysis of the Authority's financial data including available balance sheets, income statements, and internal budget projections from the past 7 years.
 - b) A detailed accounting of CRRA's revenue streams for the current fiscal year, including the amount, source and expected duration of such revenue.
 - c) A projection of CRRA's expected revenue for the next 3 years and a detailed description and explanation for all changes to the amount of such revenue streams over the duration of such projection or compared to the current fiscal year.
 - d) An accounting of CRRA's expected cash flow for calendar years 2013, 2014, and 2015, taking into account all known contractual or legal liabilities and revenue projections.
 - e) An explanation of all assumptions made in deriving such projections and all variables that, if changed, could affect such projections.

III. A review and analysis of CRRA's short and long-term liabilities, including, but not limited to, such liabilities to bond holders, employees, former employees, environmental liabilities, and such liabilities from lawsuits, leases, contractual obligations and any other matter (Exhibit A #3), including, but not limited to, the following:

- a) An accounting of all leases or mortgages for real property.
- b) An accounting of all contracts to which the CRRA is a party, including, but not limited to, any and all contracts for waste disposal, energy generation, and any and all goods and/or service contracts (including contracts for services on retainer).
- c) A review of all current or threatened civil or criminal actions involving CRRA, including any such actions resolved in the past 7 years.
- d) A review of all current or potential environmental liabilities, including, but not limited to, current or potential liability under the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Clean Air Act, or the Clean Water Act.

IV. A review and analysis of CRRA's operations, including, but not limited to, human resources, facilities use, information technology services, and identification of potential operating efficiencies (Exhibit A #6), including, but not limited to, the following:

- a) A description of each service provided by the Authority (waste-to-energy, waste collection, etc.), including information regarding the income generated by each service, each service's contribution to the total income of the authority, and the change in earnings over the past 5 years.
- b) A description of its projects, recent developments and future plans.
- c) A description of pertinent cyclical factors, major business problems it faces, or relevant government regulations and restrictions (both federal and state).
- d) A description of major external factors that could affect the Authority.
- e) A list of employees by department, including skills, time with the Authority, ages, absentee rates, and turnover rates.
- f) A description of CRRA's compensation-wage structure including the formal salary plan with pay grades, salary guidelines, and policies related to any pay increases, promotions, or bonuses.

- g) A description of all fringe benefits, vacation policies, and group life and health insurance plans.
- h) An assessment of whether lost employees can easily be replaced from the local labor pool or if specialized skills and training are required; and any specific training or apprenticeship programs provided by the Authority.
- i) A description of the Authority's key executives, including names, positions, duties, and responsibilities, years with the Authority and in the position, career path at the Authority, compensation package, and expenses.
- j) An accounting of all employment contracts between executives and the Authority.
- k) A description of the Authority's policies for insurance, holidays, vacations, sick leave and any other benefit for management.
- l) The identification of any backup personnel for key executive positions and what qualifications are required to hold those positions.
- m) An assessment of the effectiveness of the management team as a whole when compared to management of other resources recovery facilities operating in this state, to the extent possible.
- n) An identification and description of each real property owned by CRRA and property interests of CRRA, including its location and the nature of the interest held by CRRA (e.g., ownership, leasehold, licensee, etc.).
- o) A description of the age, book value, depreciation method, estimated remaining life, date on which it will become obsolete, and any improvements of real property that will be required within the next 3 years.
- p) All appraisals and engineering reports regarding the facilities/properties, and a description of any maintenance or repairs performed over the last 5 years.
- q) A description of the types and amount of insurance carried on buildings and land and any commitments to buy or lease other properties.
- r) A description of any encroachments by CRRA onto real property owned by others and encroachments by others onto real property owned by CRRA.
- s) A review of the machinery and equipment owned, leased or used by the Authority.
- t) A description of each piece of equipment owned, leased or used by the Authority including its location, age, book value, depreciation method, estimated remaining life, CRRA's interest (e.g. ownership, lease) and date on which it will become obsolete.

- u) A description of each contract, lease or other agreement in place regarding such equipment, including, but not limited to, the parties, the term, and amount owed.
 - v) All appraisals and engineering reports regarding the equipment and description of any maintenance or repairs performed over the last 5 years.
 - w) An analysis of the Authority's information technology business practices relating to efficiency and the possibility of cost-cutting measures.
 - x) With respect to information technology, a comparison with the practices of other resources recovery facilities, to the extent information is available.
- V. An analysis of the waste-to-energy market in Connecticut and New England, how the CRRA fits into that market, and how that market fits into the larger energy generation and recycling and materials management markets in the region. (Exhibit A #6), including, but not limited to, the following:**
- a) A comparison of CRRA's waste-to-energy operations to other waste-to-energy facilities in Connecticut.
 - b) A comparison of CRRA's other recycling and materials management to other recycling and materials management providers in Connecticut.
 - c) A determination of the likelihood that the Authority will remain competitive in the waste market over the next ten years.
 - d) A analysis of the possibly of divesting some or all of the Authority's assets and what impact, if any, such divestment would have on the waste-to-energy market and the recycling and materials management market in Connecticut.
 - e) An analysis of current and future opportunities, if any, CRRA might take advantage of in the waste-to-energy and/or recycling and materials management markets.
- VI. A review and analysis of CRRA's internal controls, financial management and risk management practices (Exhibit A #7), including, but not limited to, the following:**
- a) An analysis of the adequacy of the Authority's internal financial controls, controllership function, and depreciation policies.
 - b) A detailed review and analysis of the adequacy and strength of Authority's internal accounting practices.
 - c) A description of the Authority's credit rating, any existing lines of credit, and what factoring and banking relationships the Authority is engaged in;

- d) A review of the effectiveness of any cost reduction programs, what the goals of these programs may be, and how progress is measured.
- e) An analysis of all Authority insurance policies, including all policies covering general liability, environmental liability, director and officer liability, Worker's Compensation, employee life insurance, and fire or other casualty insurance; The carrier, coverage amounts and limits, deductible/self-insured retentions, premiums, and any significant conditions or benefits for each policy; The assignability of each policy; and the adequacy of existing coverage and any problems that may arise from underinsurance in the future.

VII. A review and analysis of all business transaction engaged in over the past five years over \$5,000, including the name of the other contracting party, the amount of the transaction, the type of transaction, and whether such goods or services were procured through competitive bidding (Exhibit A #8).

Dates and Deliverables

- The Contractor will maintain weekly status meetings between August 26 and October 30 with DEEP to report on progress.
- The Contractor will present its findings pursuant to item "V" above (*An analysis of the waste-to-energy market in Connecticut and New England, how the CRRA fits into that market, and how that market fits into the larger energy generation and recycling and materials management markets in the region*) to DEEP Deputy Commissioner Macky McCleary no later than **October 4, 2013**.
- The Contractor will present a draft of its complete report, and an appendix of all documents supporting its findings, to DEEP Deputy Commissioner Macky McCleary no later than **October 15, 2013**.
- The Contractor will present its final report to DEEP Deputy Commissioner Macky McCleary no later than **October 30, 2013**. The report shall include a summary of all findings.

Schedule of Payments

This Statement of Work (SOW) has a single deliverable which is the final report valued at \$460,000. The State is agreeable to making bi-weekly progress payments based on hours worked at the rates outlined in State Contract #11PSX0010 up to a maximum of 70 percent of the proposed value of the SOW. The remaining amount, no less than 30 percent of the SOW, will be payable after the final report has been accepted by DEEP. In accordance with the State Contract #11PSX0010, payment terms will be net 45 for all payments made against the SOW.

