

**Finance Committee  
May 20, 2010 Meeting**

**Draft Minutes**

Members Present: Board Chairperson Michael Pace  
Committee Chairperson Linda Savitsky  
Timothy Griswold  
Mark Lauretti (Present by telephone from 9:45 a.m. – 9:51 a.m.,  
Present in person beginning at 9:55 a.m.)

CRRA Management Present: Tom Kirk, President  
Jim Bolduc, Chief Financial Officer  
Bettina Ferguson, Director of Finance  
Jeff Duvall, Manager of Budgets and Forecasting  
Peter Egan, Environmental Affairs & Development Director  
Nhan Vo-Le, Director of Accounting Services

Also Present: Jeff Roude - Bollam, Sheedy & Torani  
Will Reynolds - Bollam, Sheedy & Torani  
Kristen Greig – Acting Board Secretary

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

**1. Approval of Minutes of the April 15, 2010, Finance Committee Meeting**

Chairperson Savitsky requested a motion to accept the minutes of the April 15, 2010, Finance Committee meeting. The motion was made by Director Griswold and seconded by Chairman Pace.

The minutes were approved unanimously.

**2. Review and Recommend for Board Approval – Proposed Refunding of Outstanding Southeast Project Bonds**

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

**WHEREAS** the Connecticut Resources Recovery Authority (the “Authority”) acted as conduit issuer to the Southeast Regional Resources Recovery Authority’s (“SCRRRA”) \$87,650,000 Resources Recovery Revenue Bonds (1998 Series A) (the “1998 Bonds”) under an Indenture of Mortgage and Trust dated December 1, 1985, as supplemented and amended (the “Trust Indenture”); and

**WHEREAS**, the 1998 Bonds are currently outstanding in the amount of \$39,855,000 with a final maturity date of November 15, 2015; and

**WHEREAS** under current market conditions, a refunding of the outstanding 1998 Bonds would result in a net present value savings of approximately \$1,600,000; and

**WHEREAS** on May 12, 2010 the SCRRA Board of Directors intended to authorize a resolution to proceed with a refunding of the 1998 Bonds (see attached) but failed to have a quorum and will therefore hold a special meeting on May 18, 2010 to vote on the resolution; and

**WHEREAS** the Authority will serve as the conduit issuer of the proposed refunding bonds; and

**WHEREAS** a refunding of the 1998 Bonds will require the Authority to seek and the Board to select an underwriter to market the proposed refunding bonds; and

**WHEREAS** a refunding of the 1998 Bonds will require the Authority to enter into an agreement with the Trustee under a supplemental Trust Indenture to provide for the payment of the proposed refunding bonds; and

**WHEREAS** prior to entering into any supplemental Trust Indenture, the Authority's Board must adopt a resolution authorizing the issuance of additional bonds and the State Treasurer must also approve the issuance of any bonds of the Authority; and

**WHEREAS** Management of the Authority recommends a refunding of the outstanding 1998 Bonds.

**NOW, THEREFORE**, it is

**RESOLVED:** That the Board hereby authorizes proceeding with a refunding of the 1998 Bonds and that Management will return to the Board for final approval and authorization prior to the issuance of the proposed refunding bonds is to occur.

The motion was seconded by Chairman Pace.

Mr. Bolduc explained that current rates present an opportunity to do a refunding of the 1998 Southeast Project Bonds, which could result in a net savings of approximately \$1.6 million depending upon interest rates. Mr. Bolduc stated that the SCRRA Board approved the refunding at a recent meeting and pointed out that a copy of SCRRA's resolution is attached.

Mr. Bolduc stated that there was a tight time table for the refunding because the bonds can be called in November without penalty, but that can be accelerated to mid-August in order to start the process. Because the bonds are subject to market conditions, it is in the best interest of the Project to move quickly to capture the most benefit.

Mr. Bolduc said that CRRA has been consulting with bond counsel and a financial advisor on this matter. Mr. Bolduc noted that Requests for Services have been drafted, a Request for Proposals to select an underwriter has been released, and when those responses are received, then interviews for underwriters would be scheduled.

Chairperson Savitsky requested that interviews for underwriters be held immediately following the June Finance Committee meeting so Committee members can attend. A brief discussion ensued regarding the schedule for that meeting and the subsequent interviews.

Ms. Ferguson explained that this refunding would be handled a little differently than the normal procedure. Ms. Ferguson said that, typically, a Request for Proposals would be issued, an underwriter would be selected, and then underwriters' counsel would develop the marketing documents (the Official Statement). To expedite the process so that a closing can take place in August, a different approach will be taken with the marketing documents. Ms. Ferguson stated that, rather than waiting for the underwriter to be selected before marketing documents are started, bond counsel would begin that process simultaneously while CRRA is in the process of selecting an underwriter. The purpose of that is to be able to present the underwriter with a fairly complete set of marketing documents when that underwriter is chosen at the June Board meeting. Ms. Ferguson noted that this approach would also serve to reduce the cost of the underwriter, since the underwriter's counsel fee is typically included in the cost, and it would be handled by bond counsel instead.

Chairperson Savitsky noted that this process was done in relation to the Wallingford Project and asked if the same underwriter could be used since a full vetting process had already been completed. Ms. Ferguson responded that the resolution for the Wallingford Project was specific to that Project's bonds and could not be applied to the Southeast Project bonds. Chairperson Savitsky asked if the underwriters chosen for the Wallingford Project are still a viable option in the field. Ms. Ferguson answered that Citigroup is still a viable option, but added that a refunding is rather standard in public finance, so CRRA will be looking for firms that have some solid waste experience and/or experience in Connecticut. Ms. Ferguson explained that the Authority has not been in the market in approximately 10 years so it will essentially be like a new name in the market.

Ms. Ferguson informed the Committee that CRRA would require approval by the State Treasurer for bond issuance and would also be seeking approval for conveyance of SCRF (Special Capital Reserve Fund of the State of Connecticut). In addition, Covanta would have to approve the refunding, as well as provide unaudited financial statements and a description of the company. Ms. Ferguson said that she would not expect any resistance from Covanta.

Director Griswold asked if a rating would be necessary and, if so, if more than one rating would be obtained. Ms. Ferguson responded in the affirmative and explained that management meets with rating agencies regularly to keep them apprised on CRRA and its projects. Ms. Ferguson noted CRRA would approach both rating agencies and said that most of CRRA's bonds have both ratings.

Ms. Ferguson stated that once the underwriter is selected, the final issuance of the bonds would be brought before the Committee and CRRA Board for approval.

Chairperson Savitsky requested a revision to the 4<sup>th</sup> paragraph of the resolution to reflect that SCRRRA has already approved the action.

The motion previously made and seconded was approved unanimously.

**3. Review and Recommend for Board Approval – Trust for Shelton Landfill Post Closure Funds**

Committee Chairperson Savitsky requested a motion regarding the above-captioned item. Chairman Pace made the following motion:

**WHEREAS**, on June 17, 1999 the Connecticut Resources Recovery Authority's (the "Authority") Board of Directors (the "Board") approved a resolution authorizing the transfer of \$2,734,000 to the Shelton Landfill Postclosure Reserve; and

**WHEREAS**, each succeeding fiscal year's adopted budget included contributions to the Shelton Landfill Postclosure Reserve in order to provide sufficient funds for monitoring and maintenance of the landfill for thirty years such that as of April 30, 2010 the balance in the Shelton Landfill Postclosure Reserve was \$12,408,638; and

**WHEREAS**, the Authority reviewed all options available and has determined that a Post-Closure Trust Fund, as the mechanism to demonstrate financial assurance, is the least cost alternative; and

**WHEREAS**, the Connecticut Department of Environmental Protection requires that funding equal to the post-closure cost estimate through the end of fiscal year 2020 be placed in a Post-Closure Trust Fund.

**NOW, THEREFORE**, it is

**RESOLVED**: That \$5,671,840 of funds in the Shelton Landfill Postclosure STIF Reserve be transferred to U.S. Bank for deposit in a trust fund used to demonstrate financial assurance; and

**FURTHER RESOLVED**: That the remaining funds in the Shelton Landfill Postclosure Reserve continue to be maintained in this reserve account to be used only for activities associated with post-closure care and maintenance obligations at the Shelton Landfill for the remaining years of post-closure activity scheduled through fiscal year 2031.

The motion was seconded by Director Lauretti.

Mr. Egan explained that, historically, the Shelton Landfill has been governed by solid waste regulations on both the state and federal levels, which are distinct from the hazardous waste regulations that are pertinent to one small area of the landfill. Mr. Egan stated that the hazardous waste area of the landfill was closed by the City of Shelton in the late 1980's. When CRRA took over the landfill, it assumed responsibility of that hazardous waste area, as well as the obligation to assure that there are adequate funds to close the landfill when it has reached the end of its useful life and to manage the landfill through its postclosure life. Mr. Egan stated that CRRA has had a letter of credit in place to demonstrate financial assurance for the hazardous waste area and a Local Government Financial Test for the rest of the landfill.

Mr. Egan noted that CRRA lost the ability to use the Local Government Financial Test for two reasons last year. First, the Connecticut Department of Environmental Protection (“DEP”) issued a new Stewardship Permit which stemmed from the hazardous waste regulations and doesn’t allow for that mechanism of financial assurance to be used. Secondly, the Project no longer meets the requirements and qualifies for the financial test. Therefore, CRRA is in a position of having to find a new financial assurance mechanism. Mr. Egan explained that there are several options available: a letter of credit, insurance policy, surety bond, or a trust fund. After pricing out each of the available options, CRRA has determined that a trust fund is the most financially viable option.

Mr. Egan stated that the only downside of utilizing a trust fund is that all of the funds are essentially “locked up” and only the Commissioner of the DEP can release the funds. Mr. Egan said that he was able to negotiate an agreement with the DEP to allow CRRA to only put funds necessary for the 10-year term of the new Stewardship Permit in the trust fund and the rest of the funds for postclosure will remain in a Board restricted reserve account. The funds in the reserve account would be used for operating costs, which would eliminate the need to get DEP approval to release funds for normal or emergency operating costs.

Director Lauretti asked if the funds in the trust can only be released for a specified purpose. Mr. Egan responded in the affirmative and added that the funds could only be released to CRRA.

Chairman Pace asked about the size of the hazardous waste area. Mr. Egan stated that the hazardous waste area is approximately three acres, 10-20 feet deep, and was closed with a synthetic cap. Chairman Pace asked if it would be possible to remove the hazardous waste rather than continuing to carry the obligations associated with it. Mr. Egan responded that removing the hazardous waste could likely cost millions of dollars and was not a feasible option. A brief discussion ensued regarding the feasibility of removing the hazardous waste and it was concluded that there would not likely be any savings in doing so.

Director Griswold asked if CRRA would be required to approach the DEP at the end of the 10-year term of the permit. Mr. Egan responded that in 2020, at the end of that term, the permit will have to be renewed and CRRA will have to re-evaluate how to manage the financial assurance.

Chairperson Savitsky stated that she has a concern about this becoming a trust fund that the State will look to when there is some difficulty balancing the budget. Mr. Egan said that the Connecticut DEP is the beneficiary of the trust and it can only be utilized for the Shelton Landfill closure. Mr. Egan added that the EPA would prevent the trust from being used for any other purpose. Ms. Ferguson noted that the trust agreement is very specific in detailing the beneficiary and purpose of this trust. Director Lauretti pointed out that the Board’s rationale in establishing this trust fund is based on law.

The motion previously made and seconded was approved unanimously.

#### **4. Informational**

Mr. Bolduc gave a brief overview of the informational material, reviewing the summary of Mid-Connecticut asset write-offs based on the completion of the audit. Mr. Bolduc noted that a majority of the write-offs were due to obsolete equipment and the replacement of older equipment due to the conversion to single-stream recycling.

## **5. Executive Session**

Committee Chairperson Savitsky requested a motion to enter into Executive Session to discuss pending litigation and personnel and security matters. The motion was made by Director Griswold and seconded by Chairman Pace. The motion previously made and seconded was approved unanimously. Committee Chairperson Savitsky requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk  
Jim Bolduc  
Nhan Vo-Le  
Jeff Roude - Bollam, Sheedy & Torani  
Will Reynolds - Bollam, Sheedy & Torani

The Executive Session commenced at 10:30 a.m. and concluded at 11:50 a.m.

The meeting was reconvened at 11:50 a.m.

## **ADJOURNMENT**

Committee Chairperson Savitsky requested a motion to adjourn the meeting. The motion made by Director Griswold and seconded by Director Laretti was passed unanimously.

The meeting was adjourned at 11:51 a.m.

Respectfully submitted,

Kristen Greig