

Finance Committee
March 17, 2011, Telephonic Meeting
Draft Minutes

Members Present: Committee Chairman Martland
 Timothy Griswold
 Ron Van Winkle

CRRA Staff Present: Tom Kirk, President
 Jim Bolduc, Chief Financial Officer
 Jeff Duvall, Director of Budgets and Forecasting
 Peter Egan, Director of Environmental Affairs & Development
 Bettina Ferguson, Director of Finance
 Laurie Hunt, Director of Legal Services
 Lynn Martin, Risk Manager
 Nhan Vo-Le, Director of Accounting Services
 Moira Benacquista, Secretary to the Board/Paralegal

Also Present: Lisa Janney and Michelle Eby of Aon Risk Services, Jim Sandler, Esq. of
 Sandler & Mara

Chairman Martland called the meeting to order at 9:35 a.m. He said there were no members of the public who wished to comment and proceeded with the agenda.

1. Approval of Minutes of the Feb. 17, 2011, Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the Feb. 17, 2011, Finance Committee meeting. The motion to approve the minutes was made by Director Van Winkle and seconded by Director Griswold.

The minutes were approved by roll call. Chairman Martland abstained as he was not present at the meeting.

2. Review and Recommend for Board Approval – Insurance Renewals - Property

Chairman Martland requested a motion regarding the above-captioned item. Director Griswold made the following motion:

RESOLVED: That CRRA purchase CRRA’s \$347 Million Property Insurance from the following four (4) insurers with their quota shares as indicated:

➤ Zurich	(Rated A)	42.1%	(Lead)
➤ Swiss Re	(Rated A)	26.3%	
➤ Starr Tech	(Rated A+)	25.3%	
➤ Commonwealth	(Rated A)	6.3%	

for the period 4/1/11 – 4/1/12 for a premium of \$617,052 and other terms and conditions as discussed at this meeting;

FURTHER RESOLVED: That CRRA purchase loss control engineering services from XL GAPS for the period 4/1/11 – 4/1/12 for an amount not to exceed \$14,950 as discussed at this meeting.

The motion was seconded by Director Van Winkle.

Ms. Martin said that Lisa Janney, Account Executive, and Michele Eby, Senior Broker for property, were present from Aon Risk Services, and would detail their work in marketing these renewals.

Ms. Eby said the market is not as soft as it was last year. She said the companies approached for CRRA's risk had gone through changes with management and their available capacity. She said Aon marketed a limit of \$437 million. She said this was based on the Maximum Foreseeable Loss (MFL) scenario described in the write-up and takes into account the highest value assets which are at the Mid-CT facility. Ms. Eby said the Maximum Foreseeable Loss at that facility includes the boilers, the turbines and the twin packs. She said that the MFL calculated by the engineering company was just over \$300 million. She said the \$347 million meets that requirement as well as maximizes the currently available capacity in the marketPLACE.

Ms. Eby said that Aon marketed for a one year term as at this point multiple year policies are not available for CRRA's risks. She said four companies met the competitive target pricing; Zurich, Swiss Re, Starr Tech and Commonwealth. Ms. Eby said those four markets are incumbent markets which were on the CRRA program the last year, and several have been on the program for multiple years.

Ms. Eby said that Arch is no longer on the program as it has taken a different position in the marketPLACE with property insurance and is not interested in the type of risk that is being covered here.

Chairman Martland said that he has never heard of Star Tech. Ms. Eby replied that Star Tech is more commonly known as ACE. She said the policy is written on ACE paper and Star Tech writes this type of energy risk.

A brief discussion of possible exposures these companies might have due to the current situation in Japan ensued. Ms. Eby said there will likely be a hardening of the marketPLACE as a result of the damage in Japan.

Chairman Martland asked how the percentages were assigned to each company. Ms. Eby said the percentages were set by the companies and largely reflect the capacities they are allowed to offer. She said in determining their percentage they take into account the engineering, the risk itself, as well as other sublimits within the policy and from these factors the companies can offer a certain amount of coverage. She said Aon maximizes what each carrier can offer.

Chairman Martland said he would assume that prices were negotiated. Ms. Eby said this pricing is extremely competitive. She said \$617,052 is the program premium and for that Aon did

negotiate quite vigorously. She said not all of the carriers wanted to offer the percentages shown in the resolution here and Aon had to negotiate very hard to get them increased in order to meet the limit and pricing.

Director Van Winkle asked if there is an opportunity for a multiple year contract given the hardening of the market. Ms. Eby responded that multi-year policies are not on this particular risk. She said the reason there are four markets is based on the exposure and the engineering and not all four of these companies would agree to a multi-year policy. Ms. Eby said given the tough negotiations this year it may become even more difficult to get this level of capacity in the future.

Director Griswold asked if Commonwealth's low level of involvement is to fill a gap or was that their offer. Ms. Eby said both. She said Aon filled that gap last year with Commonwealth. Ms. Eby said Commonwealth is interested but does not have much capacity. She said also they considered sublimits for flood exposure or potential flood exposure and what they can offer for flood dictated what percentage of capacity they could offer CRRA. Chairman Martland asked if there was flood exposure. Ms. Martin replied that the Mid-Connecticut facility is in a flood zone.

Director Van Winkle asked if the cost of this insurance for this fiscal year went down versus the prior year. Mr. Bolduc said that was correct. He said for the property there was a little over \$100,000 in savings to the annualized budget. Director Griswold asked if the FY'11 budget was reasonably higher than the actual. Mr. Bolduc replied yes. Director Griswold asked if the budget should be trimmed in the future. Mr. Bolduc said if CRRA comes up short it runs the risk of running a deficit however, a surplus can flow into the next year's budget and be returned to the towns. Ms. Martin offered that in light of the natural disasters discussed earlier, it would not be prudent to trim budget projections at this time.

Director Van Winkle asked how much of the reduction is due to the fact that the Wallingford Project no longer needs to be covered. Ms. Martin said that did not have much of an impact since the major values are at the Mid-Connecticut facility. Mr. Bolduc said that CRRA insures the maximum exposure for Mid-CT. He said Wallingford and Bridgeport fall under that as it is unlikely that one catastrophic event would destroy everything at the same time.

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

3. Review and Recommend for Board Approval – Insurance Renewals – Public Officials

Chairman Martland requested a motion regarding the above-captioned item.

RESOLVED: That CRRA's Public Officials and Employment Practices Liability insurance be purchased from ACE with a \$10,000,000 limit and up to \$10,000,000 in defense costs and expenses outside the limit, and a \$150,000 self insured retention for the period 4/1/11 – 4/1/12 for a premium of \$144,796, as discussed at this meeting.

The motion was made by Director Van Winkle and seconded by Director Griswold.

Ms. Janney said currently ACE is providing a \$10 million aggregate limit plus another \$10 million in defense costs for a one year policy with a \$150,000 retention and an annual premium of \$144,796. She said this covers the directors and officers and employees for wrongful acts, and employment practices. Ms. Janney said this also includes terrorism and professional liability for employed architects, engineers, and lawyers. She said ACE has offered a renewal with the same premium as that which is expiring with the same terms and conditions. Ms. Janney said ACE has also offered an option with a \$250,000 retention for \$135,000. She said Aon does not recommend this as the savings are not worth it. She said multi-year options are not available at this time for this insurance.

Ms. Janney said the market for public officials, directors and officers, and employment practices type coverage is stable. She said, however, for CRRA there are very few markets as demonstrated in Aon's quote disclosure report (Exhibit A in the Board's write-up). Ms. Janney said this document is used for all lines of coverage for all clients as a disclosure of all markets approached, the pricing or reasons the coverage is declined, as well as Aon's commission which of course is zero in this case as CRRA pays a flat fee, as well as any commission earned by intermediaries, which does not occur in this situation.

Ms. Janney said that Allied World Assurance Company (AWAC) was also approached, however, they declined based on CRRA's size and revenues. She said Ironshore quoted last year much higher than ACE and felt their position this year would be no different and therefore this not a viable market and declined to quote as well. Ms. Janney said RSUI, Zurich, Chubb, and The Hartford also declined and Chartis was not approached per CRRA instructions.

Chairman Martland asked if the architects and engineers referenced would be hired by CRRA or employees. Ms. Martin said employees. Mr. Kirk said CRRA consultants are required to have their own insurance. He said CRRA used to have a part time architect who also did civil engineering.

Director Van Winkle asked if there is any public official liability CRRA may be concerned with at this time. Ms. Martin said there are some pending claims. When asked for an example, she said MDC.

Director Van Winkle asked if insurance premiums for a company such as CRRA would be more expensive than that of a municipality. Ms. Janney said yes.

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

4. Review and Recommend for Board Approval – Insurance Renewals - Crime

Chairman Martland requested a motion regarding the above-captioned item.

RESOLVED: That CRRA purchase the three-year Commercial Crime policy from Travelers Casualty & Surety Company with a \$3,000,000 limit, \$100,000 deductible for the period 4/1/11 – 4/1/14 for an annual premium of \$3,196, as discussed at this meeting.

The motion was made by Director Van Winkle and seconded by Director Griswold.

Ms. Janney said Travelers has provided a \$3 million limit for the current program with a \$100,000 deductible over a three year period with an annual premium of \$3,310. She said the program covers employee dishonesty, money and securities, faithful performance of duties and investigative expenses up to \$250,000. Ms. Janney said this includes fund transfers as well as coverage from theft from the health and welfare plans (401k).

Ms. Janney said it is important to know this plan is a loss sustained form. She explained if the loss is discovered during the policy term or in a prior insurance policy term it is covered, but only for a year after the policy expires. Ms. Janney said it is important to have that continuity with insurance companies. She said Travelers is providing a very competitive price and their renewal is for \$3,196 per year in a three year policy term.

Ms. Janney referred the Committee to the quote disclosure report. She said Zurich and Great American were approached and Chartis was not approached. Ms. Janney said there are very few markets like the public officials which are willing to provide coverage to public entities, including the faithful performance and duty coverage, which is required by law. She said that is why there are not a lot of approachable markets.

Director Griswold asked why there are such great differences between the quotes. Ms. Janney replied that Travelers has been on the program for many years which has allowed the price to remain stable. She said Travelers understands CRRA's risk and is comfortable with that risk. She said market pricing is seen in the other quotes.

Director Griswold asked if this insurance covers the disappearance of certain assets. Ms. Janney replied yes. He asked if the insurance gets into computer related assets and programs. Ms. Janney said for money and property yes. Director Griswold asked if an employee hacked into a computer and created damage would this insurance cover that. Ms. Janney replied no. She said there is network security insurance available and she is currently in discussions with Ms. Martin to price that line of coverage. Ms. Janney said this type of coverage is relatively new.

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

5. Review and Recommend for Board Approval – Insurance Renewals – Fiduciary

Chairman Martland requested a motion regarding the above-captioned item.

RESOLVED: That CRRA purchase the three-year Fiduciary Liability policy from Travelers Casualty and Surety Company with a \$3,000,000 limit, and a separate \$1,000,000 outside the limit for defense expenses, and a \$5,000 deductible for the period 4/1/11 – 4/1/14 for an annual premium of \$4,492.

The motion was made by Director Griswold and seconded by Director Van Winkle.

Ms. Janney said the coverage is currently with Travelers for a \$3 million limit plus an additional \$1 million for defense costs with a \$5,000 deductible with a premium of \$4,581 a year. She said the new quote is also a three-year term with an annual installment of \$4,492. She said this coverage is similar to public officials as it is for wrongful acts, trustees, directors, and officers and employees which have access or provide advice on health and welfare plans which

includes HIPPA and acts related to HIPPA. Ms. Janney said the sponsor is now covered for defense costs only. She said in the past CRRA, as an employer, was not able to get coverage.

Ms. Janney said Aon approached several markets including Ironshore and CNA. She said ACE did provide a quote for an annual term, with the same limit and deductible but not in the multi-year policy for \$3,183. She said it also has an exclusion on the policy for prior acts which are known. Ms. Janney explained this means a new application would have to be signed with ACE prior to the effective date because CRRA has already competed one with Travelers. She said anything which occurs after that policy term (that any employee or any director or officer knew about) could rise into an actual circumstance or claim and that would not be covered. Ms. Janney said Aon does not recommend that coverage despite the savings, also because it is only a one year policy.

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

6. Review and Recommend for Board Approval – Wallingford Final Distribution

Chairman Martland requested a motion regarding the above-captioned item.

WHEREAS, on April 23, 2009 the Connecticut Resources Recovery Authority's (the "Authority") Board of Directors (the "Board"), in consultation with and with the unanimous consent of the Wallingford Project Policy Board (the "Policy Board"), authorized the closing and transfer of various funds in order to provide an initial distribution of surplus funds to the Wallingford Project member towns; and

WHEREAS, the Policy Board has previously requested that remaining project funds be equitably distributed based on a five-year weighted average of tons delivered to the Wallingford Project member towns, consisting of the towns of Cheshire, Hamden, Meriden, North Haven, and Wallingford, Connecticut (the "Towns"); and

WHEREAS, on April 27, 2009 the total amount of \$26,674,579 was distributed to the Towns based on the weighted average of Acceptable Solid Waste delivered by each Town during the five-year time period beginning July 1, 2003 and ending June 30, 2008; and

WHEREAS, the Wallingford Project officially ended on June 30, 2010; and

WHEREAS, the Authority's outside financial auditors ("BST") completed its first quarter fiscal year 2011 review on November 18, 2010; and

WHEREAS, on November 18, 2010, the Board authorized a second distribution of \$15,995,496 to the Towns that was distributed based on an updated percentage of the relative amounts of Acceptable Solid Waste delivered by each Town to reflect delivered and diverted tons for the five-year time period beginning July 1, 2005 and ending June 30, 2010;

WHEREAS, BST has completed its financial review dated January 31, 2011; and

WHEREAS, there exists a hauler receivable in the amount of \$1,513.60, which will be written-off; and

WHEREAS, the Project Closure Reserve established by the Board in November 2009 to provide for post project expenses requires additional funds to complete activities, which can be transferred from the Operating STIF account; and

WHEREAS, the amount of \$3,424,458 is identified surplus and can be distributed to the Towns.

NOW THEREFORE, IT IS HEREBY

RESOLVED: That the amount of \$3,443.00 be transferred from the Wallingford Operating STIF account to the Wallingford Project Closure STIF account; and

FURTHER RESOLVED: That the amount of \$3,424,458 be distributed to the Towns in the percentage values and dollar amounts as follows:

Town:	Total Tons Delivered FY 2006-2010:	Percentage of Tonnage:	Amount to be Distributed:
Cheshire	99,877.67	13.41%	\$ 459,219.81
Hamden	171,685.53	23.06%	789,680.02
Meriden	164,997.82	22.16%	758,859.89
North Haven	106,919.58	14.36%	491,752.17
Wallingford	201,104.24	27.01%	924,946.11
TOTAL	744,584.84	100.00%	\$ 3,424,458.00

The motion was made by Director Van Winkle and seconded by Director Griswold.

Mr. Bolduc said this resolution details the final distribution to the Wallingford Towns. He referred the Committee to the write-up. Mr. Bolduc said the project closure account has funds for items with expenditures associated with them which were paid out over time. He said page five contains a detailed listing of working down the cash account. Mr. Bolduc said this list has become shorter over time as issues have been closed off.

Mr. Bolduc said there are some specific activities which will be taken care of over the next few years. He noted the Wallingford Policy Board has seen this information and is comfortable with these numbers. Mr. Bolduc said after this resolution is passed about \$470,000 of the remaining cash will be paid out, according to the schedule. He said any residual amounts left over after this time frame will also go back to the towns.

Mr. Bolduc said management is recommending adding another \$3,443 to the project closure account from the operating account. He said at this point management would then close the operating account and the residual \$3.4 million in the operating account will flow into the distribution going back to the towns. Mr. Bolduc said this distribution basis and the denominator follows the one the Wallingford Advisory Board requested for the initial distribution. He said the Wallingford Policy Board has not had any disagreements with these distributions.

Director Griswold asked if the reduction in the project closure account is due to spending on closure activities. Mr. Bolduc said that was correct. He said management did an independent financial review which supports the previous numbers and the timeframe. Director Griswold asked if the member towns were provided with information confirming their agreement with this process. Mr. Bolduc said the Wallingford Policy Board representative have been in contact with management and will bring this information to the Wallingford Policy Board. Director Griswold asked if there is any kind of legal indemnification available stating that this was done properly to ensure the process will not be challenged in the future. Mr. Kirk said the Wallingford Board will accept this with a resolution and a vote. Chairman Martland asked if the member towns have been compatible with these steps. Mr. Kirk said it has been a very cordial relationship between the Wallingford Policy Board and CRRA.

Mr. Bolduc said assuming the CRRA Board approves this resolution management plans to wire this money over on Friday March 25, 2011.

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

7. Informational Section

Chairman Martland said the Informational Section was thoroughly reviewed by the Committee.

BOND COUNSEL INTERVIEWS

Ms. Hunt said that CRRA went out for a three year legal request for qualifications for bond counsel. She said out of the six bids, two of the responses were from CRRA's current bond counsel, Sidley Austin from New York and Pullman & Comley locally. She asked the Finance Committee if they are interested in interviewing any new firms given where the Project currently stands and factoring in that Pullman & Comley is already involved in the wrap-up of the Mid-Connecticut bonds. After some discussion the Committee declined to interview any new firms. Ms. Hunt said that she would consult with the Policies & Procurement Committee.

EXECUTIVE SESSION

Chairman Martland requested a motion to enter into Executive Session to discuss personnel matters, pending litigation and pending RFP responses. The motion was made by Director Griswold and seconded by Director Van Winkle. The motion previously made and seconded was approved unanimously by roll call. Chairman Martland requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Jim Bolduc
Jeff Duvall
Laurie Hunt

The Executive Session commenced at 10:20 a.m. and concluded at 10:38 a.m.

The meeting was reconvened at 10:38 a.m., the door was opened, and the Board secretary and all members of the public (of which there were none) were invited back in for the continuation of public session.

ADJOURNMENT

Chairman Martland requested a motion to adjourn the meeting. The motion was made by Director Van Winkle and seconded by Director Griswold

The meeting was adjourned at 10:38 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal