Finance Committee
Sept. 22, 2011 Regular Meeting
Draft Minutes

Members Present:	Committee Chairman Martland Louis J. Auletta, Jr. Timothy Griswold Scott Slifka (present by telephone)
CRRA Staff Present:	Tom Kirk, President Jim Bolduc, Chief Financial Officer Jeff Duvall, Director of Budgets and Forecasting Lynn Martin, Risk Manager Nhan Vo-Le, Director of Accounting Services Moira Benacquista, Secretary to the Board/Paralegal
Also Present:	Lisa Janney of AON Risk Services and Jeff Roude of Bollam Sheedy & Torani.

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 the Minutes of the May 12, 2011 Finance Committee Meeting

Chairman Martland requested a motion to accept the minutes of the May 12, 2011, Finance Committee meeting. The motion to approve the minutes was made by Director Griswold and seconded by Director Auletta.

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

2. Review and Recommend for Board Approval – Insurance Renewal

Chairman Martland requested a motion regarding the above-captioned item. Director Auletta made the following motion which was seconded by Director Griswold:

> **RESOLVED:** That CRRA's Commercial General Liability insurance be purchased from ACE American Insurance Company (Rating A+) with a $1,000,000 limit, $25,000 deductible, for the period 10/1/11 – 10/1/12 for a premium of $211,539 as discussed at this meeting; and
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> **FURTHER RESOLVED:** That CRRA's Umbrella Liability insurance be purchased from ACE Property & Casualty Insurance Company (Rating A+) with a $25 million limit, $10,000 retention, for the period 10/1/11 – 10/1/12 for a premium of $158,552, as discussed at this meeting; and
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> **FURTHER RESOLVED:** That CRRA's Pollution Legal Liability insurance be purchased from Illinois Union Insurance Company (ACE) (Rating A+) with a $20

million limit, $250,000 retention, for the period 10/1/11 – 10/1/12 for a premium of $243,012; as discussed at this meeting, and;

FURTHER RESOLVED: That CRRA's Commercial Automobile Liability insurance be purchased from ACE Fire Underwriters Insurance Company (Rating A+) with a $1 million limit, liability coverage on all and comprehensive and collision on fourteen (14) passenger vehicles and light trucks with a $1,000 deductible, for the period 10/1/11 – 10/1/12 for a premium of $54,911.

Mr. Bolduc explained management comes to the Finance Committee with a draft resolution for insurance renewal, subsequent to which the resolution is brought to the full Board for approval. He said management approaches the Board three times a year with proposed insurance renewals. Mr. Bolduc explained management would prefer to do this once yearly but unfortunately the insurance market is not in sync with CRRA's schedule. He said this particular resolution is for commercial general liability, umbrella, automobile and pollution insurance. Mr. Bolduc said Ms. Lisa Janney from AON Risk Services is present to address the renewals.

Ms. Janney said she is the Account Executive with Aon Risk Services in Washington D.C. and the AON team leader for CRRA. She said the marketing results for this year were very good. Ms. Janney provided the Committee with an overview of the current marketplace. She said the casualty marketplace is very stable and there is plenty of capacity around the world for casualty insurance; however it is limited for public entity businesses as well as for organizations with environmental risks.

Ms. Janney said the property market has hardened significantly particularly since March as a result of the earthquakes and flooding in Japan, flooding in Australia, and the recent tornadoes and earthquake damage in Washington, D.C., Virginia and Maryland. She said the 10-15% increases in the property market may trickle down into the casualty marketplace over time particularly as insurance companies buy re-insurance to protect their assets and those costs have gone up as large re-insurers around the country want to make up for what was paid out in claims.

Ms. Janney said ACE is very stable, and has dropped its premiums down about 25% every year CRRA has been with them since 2007. She reviewed the highlights for the eleven similar markets which were approached. Ms. Janney said only ACE quoted and the other markets declined based on the fact that they had very carefully looked at CRRA's business last year and not much has changed concerning the results. She added that CRRA currently has the best coverage available and many of the markets could not provide the same limits or coverage. Ms. Janney said in addition there were declinations based on premiums. She said public entities, risk and pollution exposure are difficult for public carriers to write competitively.

Ms. Janney said Exhibit II in the write-up presents a quote disclosure report which shows a summary of all the markets approached and the results. She said the report documents that AON Risk does not earn commissions for CRRA's business, and are compensated on a flat annual fee. Ms. Janney said in addition there are no intermediary parties involved in any of the placements.

Director Griswold asked if the percentage of markets which declined to quote is unusual. Ms. Janney replied not for CRRA. She said every year it has been the same way. Ms. Janney said there are now more markets which have begun to write business like CRRA's. Director Griswold asked if he is correct in stating that in different circumstances there would be more interest. Ms. Janney replied yes. She said last year there were many different quotes which demonstrated that there are alternative markets available in the event that there is ever a problem with ACE, something AON does not expect.

Chairman Martland said last year from an insurance point of view he would have expected the markets to be increasing their fees. Ms. Martin explained that would mostly affect the property market which will eventually affect these markets as well. Ms. Janney agreed, she said the property market is hardening significantly which will in turn affect casualty. She said however; CRRA has a long and stable relationship with ACE, which will be as aggressive as possible in pricing.

Director Griswold asked if there is any possibility for a two year rate lock. Ms. Janney said Aon always asks, and as in the past, this year no markets were willing to offer that. She explained ACE would be willing to offer a two year rate lock for the pollution component of the program but it is not in CRRA's favor as the savings are not significant and the $20 million limit would be shared over two years instead of one.

Ms. Janney said CRRA had very good loss experience on the general liability. She said there were a handful of claims which were less than the deductible of $25,000 and one over the deductible. Chairman Martland said the difference for the larger deducible was not worth the difference in the fee and therefore CRRA stayed with the smaller deductible as was recommended by management.

Ms. Janney referred the Committee to pg. 4 of the write-up. She said the automobile was a flat premium renewal. Ms. Janney said the $25 million is an umbrella which is a drop down and is a follow form policy which will sit over the million for general liability, auto liability, and the employer's liability which is part of the workers compensation. Ms. Janney said it does not sit on top of the pollution program which has its own limit of $20 million for each pollution condition and an annual aggregate of $20 million. Ms. Janney said all of the coverage, except auto, includes TRIA coverge, which is for an act of terrorism, which is certified by the US government. Chairman Martland asked if the government had to certify an act was terrorism prior to payment. Ms. Janney replied yes.

Director Griswold asked if CIRMA was approached concerning auto insurance. Ms. Martin replied yes. She explained CIRMA was not interested in providing general liability or auto insurance as they are not in the market for those kinds of exposures. Mr. Bolduc asked Ms. Janney if it was accurate to say that CRRA is very unique in the marketplace. Ms. Janney replied yes.

Director Griswold asked for an explanation of Exhibit III. Mr. Bolduc explained that because the insurance policies run October through September, and CRRA's budgets run on a fiscal year starting in July, two fiscal years overlap. He said management has annualized the budgets to provide a snapshot for what is budgeted for those two years to tie into the premium. Mr. Bolduc explained the first column shows the last premium was $670,983 and the second to last column shows the current premium of $666,000. He said from premium year to premium year there is a decline. Mr. Bolduc said the fourth column shows the annualized budget where the two FY’11-FY’12 budget years on a pro-rated basis annualized are $690,809. He said in comparison with the $690,809 annualized budget to the current premium there is a decline of $24,000.

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

3. Review and Recommend for Board Approval – 2011 Year End Audit

Chairman Martland requested a motion regarding the above-captioned item. Director Auletta made the following motion which was seconded by Director Griswold:

> **RESOLVED:** That the Board hereby accepts the Annual Financial Report for the Fiscal Year Ended June 30, 2011, substantially as discussed and presented at this meeting.

Mr. Bolduc said Ms. Vo-Le and Mr. Roude, a partner from Bollam, Sheedy & Toranni, (hereinafter referred to as “BST”), are present for any questions from the Committee. He said there are three revised pages to the audit which he will review. Mr. Bolduc said on page 39 language concerning early retirement of debt was cleaned up to more clearly describe the savings and refinancing for the Southeast Preston Project, a transaction approved last December.

Mr. Bolduc said on pg. 42 there was a table which talks about PILOTS with a projection. He said the second number in the package was $846,000 which has been adjusted as the Hartford Landfill PILOT continues through November 15, 2012. Mr. Bolduc said management pro-rated that number to $2,639,000 which changed the total.

Mr. Bolduc said pg. 2 of the independent auditors report contains language which was cleaned up to describe a second opinion which directly correlates with comments from the Government Finance Officers’ Association.

Mr. Roude provided the Committee with an overview of the FY’11 audit. He said the independent auditors’ report, as with prior years, was an unqualified report with nothing out of the ordinary. He explained the audit went smoothly, there was nothing out of order, and this is the third year CRRA has received an unqualified report. Mr. Roude said the report refers to some schedules which CRRA has put together which basically state that some of the schedules have been subjected to auditing procedures and are fairly presented. He said the paragraph before discusses some supplementary analysis which says BST did not audit that information and it is purely informational and BST does not express any opinions on that.

Mr. Roude said the first several pages contain managements’ discussion regarding the operations which are broken into specific categories of income and expenses. He said on pg. 28 the basic summary of the operations of the year for CRRA shows the operation revenues dropped about $6 million, largely in part due to the end of the Wallingford Project and low collection revenues from member services as well as reduced energy sales.

Chairman Martland asked if the drop in receipts is due to a drop in volume or energy. Mr. Bolduc referred the Committee to the Finance and Variance Report in the package. He explained it shows the energy sales from all of the projects. Ms. Vo-Le said a majority of the drop is a result of the closure of the Wallingford Project on June 30, 2011.

Mr. Roude said total expenses increased about $16 million overall. He said there were some decreases in operations due to the closure of the Wallingford project. Mr. Roude said the big increase is due to distributions made to some member towns which make-up increases of about $19 million. Mr. Kirk said waste has been down double digits statewide for the last two years which is reflective of the economy. Mr. Roude said each one of the categories in the pages proceeding the statement of revenues and expenses explains in detail the differentials, the downturns and the upturns and what is included in those numbers.

Mr. Roude reviewed the notes to the financial statement. He explained the summary of significant accounting policies explains the major components of the operations and the use of estimates, describes cash policies, receivable and inventory polices, and any major balance sheet item has a note explaining what policies are being followed and what life (whether something is being depreciated or amortized over a certain life) is taking place.

Mr. Roude said the biggest change under the inventory was about $100,011 of coal inventory which CRRA was carrying which was determined to be obsolete during the current year and was written off as it was deemed to have no value.

Mr. Roude said pg. 35 explains each balance sheet item in detail. He said the cash which is in the restricted and unrestricted funds includes custodial risk, and exposure to investments which follows through to state where the money is. He said CRRA is conservative with where it places investment funds. Mr. Roude said investments are placed in the Treasurer's Short-Term Investment fund (hereinafter referred to as "STIF fund") which is an investment pool of short term securities which is triple-A-rated. He said a table on credit risk shows the three rated agencies and ratings on current investments. Chairman Martland asked what the rate of return on the STIF fund is. Mr. Bolduc replied the rate of return is about a quarter of a percent.

Mr. Roude said under cash deposits under restricted STIF funds there is a reduction of about $13 million, most of which was refunded to the Towns in the Wallingford Project at its closure. He said CRRA also has a small amount of money invested in U.S. Treasuries. Director Griswold asked if CRRA is restricted by statutes on investment choices. Mr. Roude replied yes. He said there is an investment policy CRRA must adhere to. Mr. Bolduc said there are other governing documents as well, such as the State statutes, and the indenture. He said the biggest issue CRRA faces is liquidity of those investments as cash is often required.

Mr. Roude said pg. 39, under the early retirement of debt, explains the refinancing of the Southeastern Connecticut Project bonds which were re-issued at a lower interest rate which will generate about an $8 million savings over the balance of the life of the bonds.

Mr. Roude said note 9 discusses the various leases for equipment and rent. He said it also talks about the PILOT program payments in lieu of taxes regarding Hartford and Preston. Mr. Roude said in 2013 those numbers will change based on the balance of the Hartford Project which ends during 2013, at which point CRRA will have to re-negotiate. Mr. Kirk said that number reflects no PILOT contribution to the City of Hartford going forward as there is currently no agreement.

Mr. Roude said two other important notes begin on pg. 6. He said BST spent a lot of time reviewing these contingencies with management. Mr. Roude said the first contingency talks about the MDC arbitration. He said the first half of the footnote is basically the same wording as in last year's financial statement, with the exception of MDC's claim which has gone from $32-36 million to $32-39.6 million this year. He said the note continues to talk about the arbitration, the motions that were filed regarding the arbitrations, and the hearings which have taken place and will take place in the future. Mr. Roude said the ending result is the matter is too preliminary to estimate any potential exposure to CRRA.

Mr. Roude said the next few contingency footnotes are from the pollution liability carrier insurance which has flowed through and continued for many years. He said CRRA had a deadline to file summary judgment in October. He said the next contingency is regarding the bid concerning the maintenance of the Mid-Ct Resource Facility. He said MDC had filed a procurement initiative against CRRA regarding the proposal process. Mr. Roude said in August the court issued a decision in favor of CRRA and MDC did not appeal that decision.

Mr. Roude said the Bridgeport footnote has continued for some time and will continue to be monitored on an annual basis. He said the other issues on certain claims and assessments are the invoices from MDC which CRRA has been receiving on a monthly basis for reimbursements of legal and consulting fees regarding the MDC and CRRA arbitration and dispute. Mr. Roude said CRRA has disputed these charges and maintains they are not part of the routine operating agreement CRRA has with MDC and therefore CRRA should not be charged. Mr. Bolduc said since January CRRA has received about $1 million in invoices from MDC.

Mr. Roude said note fourteen talks about subsequent events, the first being the waste contract which expires in 2012 with the seventy member towns. Mr. Kirk said management continues to sign up towns with new MSA's. He said the vast majority of towns which have signed up so far have chosen Tier 1, which is the long term agreement. He said management does not expect to meet its goal of having a majority of the towns signed up by October 1, 2011.

Mr. Roude said the last piece of the subsequent events is the transition regarding the Mid-Ct Waste Facility agreement which expires on December 30, 2011. Mr. Kirk said there has been some recent cooperation from MDC which management is encouraged by.

Mr. Roude said on pg. 48 there are two new accounting procedures which will subsequently effect next year's financial statements which BST is required to disclose. He said the first is codification of the accounting pronouncements, which is essentially a revamping of note one (significant accounting policies) which will combine other notes of the major assets and liabilities into one note. Mr. Roude said all of the accounting boards reference those specific issues which will be re-classified into one system to avoid confusion under different accounting boards.

Mr. Roude said the second new accounting procedure concerns GASB18 as far as proprietary, restricted and reserve funds and how they are going to be presented in future years. He said this is effective after December 15, 2011, and will change presentation of segmentation and fund balances. Mr. Roude said there will be some presentation differences in next year's statement.

Director Griswold asked what the description, a "component unit of the State of Connecticut" means. Mr. Roude said it means CRRA is not a private entity or a public entity, but a component of both.

Mr. Roude said pg. 56 is the independent auditors report on the internal control of CRRA. He said BST has issued a letter of good order with no problems and no deficiencies as everything is in accordance with the required standards. He said there is an unqualified opinion on the financials and there no comments or deficiencies regarding the internal control function operations of CRRA.

Director Slifka asked about the timing of the new municipal services agreements, and if it is prudent to issue an update in the subsequent events section once the October 1, 2011, date is passed and CRRA knows how many towns have signed up. Mr. Bolduc said this particular document must be approved by the Board and filed by the end of the month. Director Slifka said he recognizes that, however it may be prudent to voluntarily issue that information somehow. Mr. Bolduc said the audit has to be filed with the state on October 1, 2011.

Mr. Roude said the report is as of June 30, 2011, however; BST is responsible for any major activities until the date the report is signed off of. He said he feels with the information at end this note is stating what is actually occurring. Ms. Vo-Le said in December this report will be filed to the GFOA and certainly that information can then be updated.

Director Slifka said in his own town when something is a newsworthy development, rather than waiting until the next statutory deadline, the information may be volunteered. Mr. Bolduc said a press release may be the best way to handle this, and noted it will also be contained within the minutes.

The motion previously made and seconded to approve the audit was approved unanimously by roll call.

FIVE MINUTE RECESS

Chairman Martland said a five minute recess would be taken before the Executive Session.

EXECUTIVE SESSION

Chairman Martland requested a motion to enter into Executive Session to discuss pending litigation and pending RFP responses. The motion was made by Director Auletta and seconded by Director Griswold. 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

The Executive Session commenced at 10:42 a.m. and concluded at 12:04 p.m.

The meeting was reconvened at 12:04 p.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.

3. Review and Recommend for Board Approval – Contribution to Mid-Conn Risk Fund

Chairman Martland requested a motion regarding the above-captioned item. Director Griswold made the following motion which was seconded by Director Auletta:

> **WHEREAS**: The Mid-Connecticut Project will expire on November 15, 2012 and the Authority is accordingly analyzing the adequacy of its reserves to meet potential Project exposures, risks and liabilities; and
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> **WHEREAS**: The Connecticut Resources Recovery Authority has evaluated the Mid-Connecticut Project's Risk Fund Reserve in light of the above-noted analysis and, in consultation with its counsel, has determined that it is prudent to add an additional $3,500,00 at this time;
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> **NOW, THEREFORE, BE IT:**
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> **RESOLVED**: That $3,500,000 be added to the Mid-Connecticut Project Risk Fund Reserve from FY11 Mid-Connecticut operations; and;
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> **FURTHER RESOLVED**: That, in the event that any moneys remaining in the Risk Fund at the end of the Mid-Connecticut Project are ultimately determined to be surplus to project liabilities, they will be appropriately returned to the current Mid-Connecticut project municipalities.

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

ADJOURNMENT

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

The meeting was adjourned at 12:06 p.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal