

**Finance Committee
Nov. 15, 2012 Regular Meeting
Draft Minutes**

Members Present by telephone: Chairman Timothy Griswold
Joel Freedman (present by telephone from 10:10 – 10:14 a.m.)
Andrew Nunn

CRRA Staff Present: Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Jeffrey Duvall, Director of Budgets and Forecasting
Paul Nonnenmacher, Director of Public Affairs (present by telephone)
Nhan Vo-Le, Director of Accounting
Maira Benacquista, Secretary to the Board/Paralegal

Also Present: John Pizzimenti, USA Hauling, and Jim Sandler, Esq. of Sandler & Mara.

Chairman Griswold called the meeting to order at 9:32 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 Oct. 18, 2012, Finance Committee Meeting

Chairman Griswold requested a motion to accept the minutes of the Oct. 18, 2012, Finance Committee meeting. The motion to approve the minutes was made by Director Nunn and seconded by Chairman Griswold.

The motion to approve the minutes was approved by roll call.

2. Review and Recommend for Board Approval – SouthEast Budget

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

RESOLVED: That the fiscal year 2014 Connecticut Resources Recovery Authority Southeast Project Operating and Capital Budgets be adopted subject to the Southeastern Connecticut Regional Resources Recovery Authority’s (“SCRRA”) approval of this budget and as substantially presented and discussed at this meeting.

Mr. Bolduc said management is seeking approval of the budget relative to the allocation which comes from the Authority budget which can be seen on pg. 9. He said under administrative expenses there are a number of different items, including the CRRA portion allocated to the SCRRA budget, direct labor and overhead.

Mr. Bolduc said the direct labor and overhead is a portion which CRRA allocates to the SCRRA budget. He said the other items are handled directly by SCRRA, including the local administration which rolls into developing the overall cost of operations. Mr. Bolduc said the other calculations are assumptions which relate specifically to the SCRRA and Covanta contract and relate to the debt service.

Mr. Bolduc said it is CRRA's role to do the administrative work for SCRRA for both the debt servicing and for the preparation of the budget and monthly financial results. He said SCRRA's local administration does the operational side.

Mr. Bolduc said that Mr. Duvall attended the SCRRA Board meeting and reviewed the figures. Mr. Bolduc said once the CRRA Board approves the CRRA items and costs at the November Board meeting it then goes back to the SCRRA Board at which point the SCRRA Board will put its local administration budget on top of this and will then approve the overall budget. He said the tip fee will be set in December.

Mr. Duvall said he discussed the direct labor and overhead with the SCRRA Board. He said the SCRRA Board questioned why CRRA was increasing the amount to \$225,000. Mr. Duvall noted that SCRRA is going through a renewal with Covanta for a year and a half and will be going through a second renewal after that. He said based on the amount of work which CRRA put in when the SCRRA bond renewal was performed in 2011; management is estimating a total of \$230,000 worth of CRRA's services. Mr. Duvall said SCRRA will only be billed for actual time used.

Chairman Griswold asked if the direct labor and overhead funds are sent to CRRA. Mr. Duvall said yes. He said every month the trustee sends CRRA one twelfth of their piece of the budget. Mr. Bolduc said CRRA receives the cash to cover the budget and like all other items in their budget it is then reconciled with the trustee and any residual funds go back to SCRRA.

Chairman Griswold asked where the payment in lieu of taxes goes. Mr. Bolduc said the PILOT goes to the Town of Preston in accordance with a contractual arrangement. Chairman Griswold asked if the favorable contract creates so much revenue that more reserves are put aside than may actually be necessary. Mr. Bolduc referred Chairman Griswold to pg. 8 and the line item which refers to the future needs reserve.

Mr. Bolduc said the SCRRA Board recognizes they have an excellent deal right now, but rather than reducing the tip fee it will be maintained in order to stabilize their rates in the future. He said SCRRA's reserve fund allows for a variety of options including building their own transfer station.

Chairman Griswold asked why there are no capital expenditures built into the budget. Mr. Bolduc said SCRRA has a very unique set up and Covanta is responsible for maintaining the plant and all capital expenditures.

Chairman Griswold asked what discriminatory taxes mean. Mr. Bolduc said that is SCRRA's term for dioxin taxes.

Director Nunn asked how local administrative expenses are determined. Mr. Bolduc referred Director Nunn to page 11 of and stated SCRRA determines that figure. Director Nunn asked why

SCRRRA had very minimal legal and audit expenses for FY'12 which are now going to almost \$50,000 in FY'13. Mr. Duvall said the extra legal costs were specifically for bond related issues. Mr. Bolduc said as the contract termination is approached, SCRRRA's outside counsel is looking into future options, an issue which is increasing that line item.

Chairman Griswold asked for detail concerning the transfer station subsidy. Mr. Duvall said the member towns pay a tip fee of \$60 a ton but the member towns which are further away from Preston receive a rebate based on how far they travel to deliver tonnage.

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

3. Review and Recommend for Board Approval – Authority Budget

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

RESOLVED: That the fiscal year 2014 Authority Operating Budget be adopted substantially in the form as presented and discussed at this meeting.

Mr. Bolduc said that he would like to address several corrections within the budget. He asked the Committee to refer to pg. 5. Mr. Bolduc explained there is an item which refers to computer hardware in the amount of \$71,000 which should actually be \$28,000. He said that will be reduced before presentation to the full Board. Mr. Bolduc said on pg. 3 there are couple of items which will be cleaned up.

Mr. Bolduc said the methodology for the Southwest Division has been changed in FY'14. Mr. Bolduc said in FY'14 everything will be indirect in order to facilitate the tracking of those numbers more easily. He said if indirect and direct costs were added together, the Southwest budget for example, in FY'13 that \$425,000 with the direct amount which shows up on the Southwest budget was about \$130,000 so the total direct and indirect for FY'13 was \$558,540. He said in FY'14 the total combined is \$574,000.

Mr. Bolduc said the actual FY'12 number when direct and indirect costs are added together would have been \$543,000 and in FY'11 \$560,000. He said those numbers are driven by the actual contract with the Southwest towns.

Chairman Griswold asked why the Mid-CT costs are going down. Mr. Bolduc explained for two reasons. He said although the bonds are being paid off at the end of the Mid-CT Project, there are a lot of tail issues which are still out there. Mr. Bolduc said a matrix of outstanding issues will be presented to the Board concerning primarily the financial area. He said for example the books have to be closed out and there are two audits required. Mr. Bolduc said the CSWS will be starting at the same time.

Chairman Griswold said under CSWS if 7.5 months is \$2.14 million and a full year is \$2.136 million one would expect the full year to be greater than seven months. He asked what the difference for a proportionate change is. Mr. Bolduc said part of the driver is the reflection of significant reductions in some of the expenditure areas as well as a change in the allocation methodology. He said the total budget shows the reallocation of dollars based on for example, property division going up from \$235,000 to

\$360,000 because the allocation method employed for the last couple of years is a weighted combination and there are a lot of different factors which changes from year to year.

Mr. Bolduc said this methodology contains weighted assets. He said the Landfill Division used to be part of the Mid-Conn Project and is now part of the Landfill Division. Mr. Bolduc said the dollars are being shifted and that allocation activity is moving. He said the overall total Authority dollars, absent the allocation, is going down between the two years by about 9.7%.

Mr. Bolduc said the allocation and the change in repositioning the various activities is to parallel the new CSWS legal contracts.

Mr. Bolduc said pg. 4 contains an error from the prior year's budget. He said employee benefits are listed at \$242,000, and then go up to \$369,000 in FY'13. Mr. Bolduc said the \$369,000 is a bad number, and should have been \$250,000.

Mr. Bolduc said most of the numbers have been reduced, tracked by inflation, or if they are contractual arrangements, have been maintained. He said management continues to explore ways to maintain reductions as CRRA is under a lot of pressure to reduce the budget as much as possible. Mr. Bolduc said further reductions could be expected before next February.

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

4. Discussion – Response to Financial Audit Management Letter Fiscal Year 2012

Mr. Bolduc said this is a discussion item. He said CRRA typically receives a management letter from the auditors with recommendations. Mr. Bolduc said this year the auditors' expressed concern that as CRRA begins reorganizing and shifting responsibilities controls are compromised and need to be reviewed.

Mr. Bolduc said management agrees with the auditors' suggestions. He said CRRA ensures proper compliance with adequate reviews as CRRA is a small company and often has to accomplish certain tasks and control procedures with fewer people.

Mr. Bolduc said after shifting some of the cash management responsibility the auditors recommended a second review, which CRRA will be doing.

INFORMATIONAL SECTION

Mr. Bolduc said the end of the first quarter involves preliminary projections. He said CRRA is projecting about \$1.2 million in surplus. He said the CSWS budget will also start showing shortly and at this point there is nothing unusual to report. Mr. Bolduc said the year end cash flow for Mid-Conn shows some differences between the estimated cash at the end of December and the estimated liabilities.

Chairman Griswold asked that year to date be added to the column which displays legal spending in the informational package.

ADJOURNMENT

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

The meeting was adjourned at 10:04 a.m.

Respectfully submitted,

Moira Benacquista
HR Specialist/Board Administrator