

**Finance Committee
July 17, 2014 Regular Telephonic Meeting
Draft Minutes**

Members Present: Chairman Joel Freedman
Jim Hayden
Scott Shanley
Andy Nunn

CRRRA Staff Present: Tom Kirk, President
Mark Daley, Chief Financial Officer
Peter Egan, Director of Operations and Environmental Affairs
Nancy Jacques, Accounts Payable Specialist
Laurie Hunt, Director of Legal Services
Deepa Krishna, Senior Financial Accountant
Nhan Vo-Le, Director of Accounting
Moirra Kenney, HR Specialist/Board Administrator

PUBLIC COMMENT

Chairman Freedman called the meeting to order at 10:31 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 Regular June 19, 2014, Regular Finance Committee Meeting

Chairman Freedman requested a motion to accept the minutes of the June 19, 2014, Finance Committee meeting. The motion to approve the minutes was made by Director Nunn and seconded by Director Shanley.

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

2. Review and Recommend for Board Approval Resolution Concerning Pollution Legal Liability Insurance

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Shanley and seconded by Director Hayden.

WHEREAS: This Board has previously adopted its fiscal year 2015 Landfill Division Operating Budget providing \$809,500 in funding for the portion of such year that MIRA will operate the landfills prior to the transfer of operating responsibility to the Connecticut Department of Energy and Environmental Protection (CT DEEP); and

WHEREAS: After such transfer of operating responsibility to CT DEEP, MIRA will retain certain liability previously considered by this Board; and

WHEREAS: This Board desires to continue to retain Pollution Legal Liability Insurance for the landfills after the transfer to CT DEEP as a means to protect against such liabilities.

NOW THEREFORE, be it

RESOLVED: That the President is hereby authorized to purchase and secure a Pollution Legal Liability Insurance policy for a term of thirty eight months commencing 8/1/2014 and a total premium of \$606,259 to be paid in two installments on or before 8/1/2014 and 10/1/2015 substantially as discussed and presented at this meeting.

FURTHER RESOLVED: That the fiscal year 2015 Landfill Division Operating Budget is hereby increased by \$105,298 to \$914,798 to provide funding for such Pollution Legal Liability Insurance policy for FY 2015. Such increase represents a 60% allocation to the Landfill Division for the 11 months ending June 30, 2015.

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the following Landfill Division Reserves, as appropriate, to pay for the allocated premium cost of such policy:

Shelton Landfill Post Closure Reserve
Waterbury Landfill Post Closure Reserve
Wallingford Landfill Post Closure Reserve
Hartford Landfill Post Closure Reserve
Ellington Landfill Post Closure Reserve
Landfill Operating Account

Mr. Kirk said this resolution has been discussed several times as its consideration was part of the MOU with the CT DEEP and the issue of transferring the landfill. He said management's recommendation is for a three year \$40 million policy. Mr. Kirk said the policy is for 38 months and allows for MIRA management to cancel the existing policy remaining term of two months in order to enter into a three year plus two month term. He explained there is a \$36,000 savings through a refund on funds which have already been paid on the remainder of this year's term.

Mr. Kirk said although the savings is small, the advantage is assured coverage for the next three years when CT DEEP manages and takes responsibility for the landfill in the unlikely event that there are some transition problems. He said the downside is the \$40 million limit is aggregate, so a number of different claims would reduce the remaining coverage over the course of the three years.

Chairman Freedman said there is also an advantage as the single occurrence limit is doubled with this new policy. Mr. Kirk said payment was initially requested in full up front, however Mr. Edstrom was able to negotiate two payments, a 50% payment at inception and a second payment in October 2015.

Director Shanley asked if half of the payment is available in the current year budget. Mr. Daley said the resolution addresses the increase in the landfill budget for FY'15 required for this payment. He said the CSWS budget had already funded the PLL for FY'15. Mr. Daley said MIRA is within budget and the resolution is structured so there is authority to use reserves to pay the full premium. He said the budget piece is handled for 11 months of FY'15 with a 60% allocation to the landfill. Mr. Daley said this was based on Mr. Edstrom's recommendation and noted that AON is in agreement with this structure.

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

3. Discussion Concerning a Change to the Procurement Policy

Ms. Hunt said the current Procurement Policy under the Professional Services Section includes insurance as one of the professional services that needs to be bid every three years. She said management believes that is not meant to be insurance, but insurance brokerage services, which comes to the Board every three years. Ms. Hunt said a clarification to the policy will be made and brought to the full Board with changes the word "insurance" to "insurance brokerage" (which needs to be bid every three years). She explained this change will allow management to accept the advice of MIRA's broker, which was to not go out to bid for this service this year.

4. Informational

Mr. Kirk said MIRA had a very good year with particularly good results from power pricing. He said the spring and summer power pricing was less than had been hoped for.

Mr. Daley referred the Committee to Tab A, flow of funds. He said concerning the Property Division the operating account is at \$2.2 million as of May 31, 2014. He said that is essentially 178 days of cash on hand based on the FY'15 budget of \$4.5 million in operating expenses, he said MIRA is at 100% of the target for days cash on hand for Property Division.

Mr. Daley said MIRA's expenses shown in property division are slightly above normal due to a fuel purchase of \$248,000 in May and an insurance expense out of the Property Division of \$48,000. He said in addition there were some items on the Improvement Fund in Property Divisions for the jets as well for regulatory and maintenance items.

Mr. Daley said in CSWS the operating fund and general fund combined are at \$15.4 million as of May 31, 2014. He said that is about 84 days on hand based on the FY'15 total costs of operation and is about 70% of the target or 120 days. Mr. Daley said there was a draw on the tip fee stabilization fund in order to fully fund the July 2014 budget and debt service reserve which was created. He said there was also a draw from the general fund to fund the Improvement Fund for CSWS and the risk, legal and severance reserves. Mr. Daley said the draw out of the general fund was \$958,000.

Mr. Daley said management is working the cash flow to get the Improvement Fund where it needs to be for planned major overhaul work. He said as of May 31, 2014, the Improvement Fund is fully funded at \$5.1 million.

Mr. Daley said wholesale electric prices declined in spring He said MIRA was at 3.59 cents in May for the full month which is well below what was budgeted on an average for May. Mr. Daley said

that is a fourfold decrease from the prices in January, February and March. He said the price is having an impact and he wants management to set expectations correctly as we head into the down cycle of the business.

Chairman Freedman asked what the budget price for the year is. Mr. Daley replied for FY'14 it was roughly 4.7 cents, which was flat number used for the fiscal year. He said MIRA is above 7 cents for the full year. Chairman Freedman asked what the price is in the FY'15 budget. Mr. Daley replied 5.16 cents, which is an average rate. He said when FY'15 is reported it will be done on the basis of the monthly budget spreads which included management's expectation of price at each month and the total average for the year.

Mr. Daley said concerning the variance reports the CSWS operating income before reserves is at \$13.4 million, which is \$7.6 million above budget. He said year to date through May looks very good. Mr. Daley said there was a surplus budget versus actual income of \$9.9 million year to date in March which declined to \$8.4 million by April, and May year to date came in at \$7.5 million. He said when MIRA is reporting in June management expects the surplus income will be in the \$6 - \$6.5 million range. Mr. Daley said this is because the revenue surpluses and expense surplus are declining each month.

Mr. Daley said the FY'15 audit is underway. He said in addition MIRA was invoiced for the solid waste assessment and management will continue to pay that as MIRA has based on past practice.

EXECUTIVE SESSION

Chairman Freedman requested a motion to enter into Executive Session. The motion was made by Director Hayden and seconded by Director Shanley. The motion previously made and seconded was approved unanimously by roll call. Chairman Freedman requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Mark Daley
Laurie Hunt

The Executive Session commenced at 11:30 a.m. and concluded at 12:20 p.m.

The meeting was reconvened at 12:20 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.

ADJOURNMENT

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

The meeting was adjourned at 12:20 p.m.

Respectfully submitted,

Moira Kenney
HR Specialist/Board Administrator