Finance Committee
Sept. 18, 2014 Regular Meeting
Draft Minutes

Members Present:	Chairman Joel Freedman Jim Hayden Scott Shanley Andy Nunn (present by telephone)
CRRA Staff Present:	Tom Kirk, President Mark Daley, Chief Financial Officer Peter Egan, Director of Operations and Environmental Affairs Thomas Edstrom, Risk Manager Jeff Duvall, Director of Budgets and Forecasting Laurie Hunt, Director of Legal Services Deepa Krishna, Manager of Accounting and Financial Reporting Moira Kenney, HR Specialist/Board Administrator
Others Present:	Henry Christian, Aon Risk Services; Paul Goetz and Jeff Roude of Bollam, Sheedy, Torani & Co., LLP.

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 July 17, 2014, Regular Finance Committee Meeting

Chairman Freedman requested a motion to accept the minutes of the July 17, 2014, Finance Committee meeting. The motion to approve the minutes was made by Director Shanley and seconded by Director Hayden.

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

2. Review and Recommend for Board Approval Resolution Regarding the Purchase of Commercial General Liability, Umbrella Liability, and Commercial Automobile 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.

RESOLVED: That MIRA'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 10/1/14 – 10/1/15 for a premium of $215,430 as discussed at this meeting; and

FURTHER RESOLVED: That MIRA's Commercial Automobile Liability insurance be purchased from ACE American Insurance Company (Rating A+) with a $1 million limit, liability coverage on all vehicles and comprehensive and collision coverage on twelve (12) passenger vehicles and light trucks with a $1,000 deductible, for the period 10/1/14 – 10/1/15 for a premium of $47,038 as discussed at this meeting; and

FURTHER RESOLVED: That MIRA'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 10/1/14 – 10/1/15 for a premium of $153,130

MIRA Coverage	**2013 Renewal Premium Including Landfills**	**2014 Renewal Premium Including Landfills**	***Premium Difference Over Expiring***
General Liability	$215,000	$215,430	$430
Commercial Automobile	$60,115	$47,038	-$13,077
Umbrella	$157,500	$153,130	-$4,370
Grand Total:	**$432,615**	**$415,598**	**-$17,017**

Exposure Basis:			
Tons of Municipal Solid Waste Received	Expiring Estimate: 1,008,000	Renewal Estimate: 1,010,000	**0.20%**
Rate Per 1,000 Tons of Municipal Solid Waste Received	Expiring Rate: 213.294	Renewal Rate: 213.297	0.00%

Mr. Daley noted the Finance agenda incorrectly included pollution legal liability. He explained that coverage has already been addressed by the Board.

Mr. Christian said he was the Account Executive for MIRA's Insurance program as brokered by AON. He provided the Committee with an update on the general, auto, and umbrella liability renewals. He explained the process began in June/July as MIRA was negotiating a revised pollution program with ACE. Mr. Christian said that program was subsequently put into place and noted that removing that part of the program mitigated potential markets. Mr. Christian said AON approached 13 markets the year prior and after a very thorough analysis of the program opted to continue the relationship with ACE. He said AON was able to secure a flat rate renewal on each of the program lines with a slight decrease in the umbrella which ultimately resulted in a net premium reduction from the year prior based on reductions in exposure on the automobile liability program.

Mr. Christian said a change made on the policy form was a restriction exclusion regarding personal information and data related liability, which he says is common in many general liability carriers which are trying to avoid those policies being brought into cyber related cases. Director Shanley asked what the rationale for that exclusion is. Mr. Christian said the general liability policy is not expected to pick up cyber-events. He said he believes the exclusion is because a cyber-event has different controls and underwriting practices.

Chairman Freedman asked if MIRA has a cyber-policy. Mr. Christian replied no. Chairman Freedman asked why MIRA was not presented with a cyber-policy. Mr. Christian said he believed the Committee had discussed the possibility the year prior however; there was no interest in a cyber-policy at that time. After some discussion the Committee requested that cyber-policy options be presented in the future for review and analysis.

Mr. Christian said the $12 million umbrella liability policy purchased the prior year for $157,500 decreased to $153,130 this year relative to the decreases in auto exposures. He said the coverage is still the same with a $25 million limit. Mr. Christian said this is in excess of the general liability and auto liability as well as the employers' liability portion of the workers compensation policy.

Mr. Christian said this year the auto program had 24 units with 12 of them requiring physical damage coverage, compared to 28 vehicles the year prior. He said the premium was reduced by $13,077, an equivalent premium to exposure reduction. Mr. Christian said further reductions are being discussed with the carrier. He said the general liability and auto liability may be audited after the actual exposure and the carrier may come back after the six month policy term and perform an audit adjustment.

Director Shanley asked Ms. Hunt if she is comfortable that this process is in compliance with MIRA's policies and procedures. Ms. Hunt replied yes.

Chairman Freedman reminded management that the Committee asked that this material be brought for review a month earlier going forward. Mr. Daley replied that due to timing this was difficult to accomplish in August however management plans to bring the next set of renewals to the Committee earlier in order to provide more time for review.

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

3. Review and Recommend for Board Approval Resolution Regarding 2014 Year End Audit

Chairman Freedman requested a motion on the above referenced item. Director Freedman made the motion which was seconded by Director Nunn.

> **RESOLVED**: That the Board hereby accepts the Annual Financial Report for the Fiscal Year Ending June 30, 2014, substantially as discussed and presented at this meeting.

Mr. Daley said there are two areas management wishes to address; a status update as to where MIRA is in the audit process and secondly a synopsis of MIRA's financial performance and how the MD&A is structured in this report.

Mr. Daley said this was a good year for MIRA and total operating revenues for all projects and divisions came in at $123.4 million, a 2.6% growth from the prior year and 4.6% better than the total budgets. He said on the operating expense side (before depreciation) MIRA came in at $16.1 million, in total 5.4% lower than last year and 6.3% under budget. Mr. Daley said income before depreciation for all projects is $17.3 million, 12.3% better than the year prior and almost three times better than the budget.

Mr. Daley said within the $17.3 million the CSWS represented 75% of the operating income. He said there was $70.1 million of operating revenue for CSWS which is 8.5% better than budget. Mr. Daley said concerning CSWS the operating expenses were $57.1 million, which is $1.2 million or 2.1% under budget. He said the CSWS income before depreciation was roughly $13 million.

Mr. Daley said the Property Division represents 27% of the total $9.7 million in operating revenue which was just about $3 million or 44% above budget. He said the expense side was $5 million, just over budget by $.7 million due to extra fuel purchases for the jets. Mr. Daley said the income was $4.7 million and well above budget.

Mr. Daley said the Mid-CT project had a $2 million income before depreciation as there was still some soil revenue coming into the closure project and a GASB 18 adjustment to the estimated closure fund. He explained the estimates for the liabilities for the closure came in lower than anticipated and became a credit on the expense side.

Mr. Daley said the Southeast and Landfill divisions show a net loss of $1.5 million and $.8 million each because both divisions rely on use of reserves for their budgets and the use of reserves are not operating revenue. Director Shanley asked how there is a loss when the Southeast Project is placing funds in the reserve. Mr. Daley explained the project planned in their budget a use of reserves for $1.1 million.

Mr. Daley said in terms of the balance sheet, or the statement of net position, there was an increase in net position of $3.5 million for all projects and divisions combined. He said that reflects the $17.3 million of income, plus depreciation and amortization of $16.1 million, and net non-operating revenues of $2.3 million.

Mr. Daley addressed the landfill transaction which features prominently in the statement of net position and the operating statement. He said the main elements of change in the financial statements related to that transaction are: $31 million in cash and equivalence and restricted investments, and the long term liabilities which were reduced by $35.8 (all of the post-closure liabilities which were on the books at that time).

Mr. Daley said last year CSWS's start-up working capital of $7.9 million was reclassified as a contribution from the landfill to CSWS. Director Shanley asked if the former Mid-Conn Project is eligible for that distribution. Mr. Daley said the Mid-Conn towns contributed to the closure and post-closure reserves in order to fund those activities for the long term. He said the State of Connecticut then took that over so the liabilities which the Mid-Conn towns paid for are being covered.

Mr. Daley provided an overview of the MD&A for the Committee. He said it was re-structured from the past format in several ways; management incorporated a budget versus actual section, the line item by line item narrative of the statement of net position has been revamped into a higher level discussion, and the audit was reduced from 20 to 16 pages. Mr. Daley said the business model is stressed when wholesale electricity prices are low. He said that basic equation is discussed as well as how that issue is addressed.

Mr. Goetz said the audit is much easier to read and understand thanks to Mr. Daley's changes. Mr. Daley said management relied on the Property Division to create the tip fee stabilization fund and the jets within the property division are the main source of income. He said the limited life span of the jets is addressed as well management's efforts to analyze options which exist to retrofit the jets to be removed from the trading order. Mr. Daley said MIRA has $12.4 million in a capacity payment for FY'18 which cannot be reached without extending the trading order or making significant improvements to the jets. He said management is performing an analysis on the issues now and plans to bring this item to the Board for discussion in October or November.

Mr. Daley said MIRA is putting itself in a position to contract for a portion of energy sales in part of FY'15 and the subsequent two years in order to lock in a portion of those sales and reduce exposure. He said RFP documents for this matter will be sent out shortly.

Mr. Daley welcomed Deepa Krishna to her new position as Manager of Accounting and Financial Reporting.

Mr. Goetz said the auditors' finished their field work last Friday. He said the final document will have further edits and updates, specifically the independent auditors' report and the auditors' report on internal controls over financial reporting will be included. Mr. Goetz said the auditors intend to issue an unqualified opinion.

Mr. Goetz said the auditors have an independent partner which still needs to review the report. He said in terms of significant transactions there is a question of whether the transfer of the post-closure liabilities to the CT DEEP should come off of the books as MIRA still has to close the Hartford Landfill. Mr. Goetz said ultimately the auditors decided it was proper to remove that liability.

Mr. Goetz said the footnotes contain disclosures with respect to litigation which the auditors will scale down in the future.

Mr. Goetz said the auditors looked to management to explain the creation of MIRA from the former CRRA. He said GASB 69 accounts for mergers, acquisitions and transfers of responsibilities. Mr. Goetz said in relation to MIRA's creation the auditors concluded that MIRA is essentially carrying on the same duties and responsibilities that CRRA was intended for.

Mr. Goetz said the auditors spent time addressing the contract MIRA has with FCR to operate the recycling facility. He said the contract was terminated which triggered a clause requiring a payment. Mr. Goetz said last year a liability was recorded for that and $2.9 million hit the profit and loss. He said when the contract is terminated in FY'14 a $1.00 payment was also required to transfer the equipment. Mr. Goetz said there is a re-statement concerning this item and those assets have been put on the books.

Mr. Goetz said the audit was very open and went smoothly. He said the auditors are slightly behind due to legislative changes and changes in management however all adjustments and changes have been positive.

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

4. Informational

Chairman Freedman said the Informational Section had been thoroughly reviewed and noted there were no comments concerning the material.

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:

Paul Goetz
Jeff Roude

After a short discussion with the Committee the following members of management were also invited to the Executive Session:

Tom Kirk
Mark Daley
Laurie Hunt

The Executive Session commenced at 11:40 a.m. and concluded at 12:45 p.m.

The meeting was reconvened at 12:45 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 12:45 p.m.

Respectfully submitted,

Moira Kenney
HR Specialist/Board Administrator