

Special Policies & Procurement Committee
March 12, 2012
Telephonic Meeting Draft Minutes

Members Present: Dot Kelly
 Donald Stein

CRRA Staff Present: Tom Kirk, President
 Jim Bolduc, Chief Financial Officer
 Peter Egan, Director of Environmental Affairs
 Laurie Hunt, Director of Legal Services
 Christopher Shepard, Environmental Engineer
 Virginia Raymond, Senior Operations Analyst
 Moirra Benacquista, Secretary to the Board/Paralegal

Others present: John Pizzimenti of USA Hauling.

Director Stein called the meeting to order at 9:30 a.m. and noted that a quorum was present.

Director Stein noted there were no members of the public present which cared to speak during public comment, and said the regular meeting would commence.

1. APPROVAL OF MINUTES OF THE FEB. 9, 2012, POLICIES & PROCUREMENT COMMITTEE MEETING

Director Stein requested a motion to accept the minutes of the Feb. 9, 2012, Policies & Procurement Committee meeting. The motion to approve the minutes was made by Director Kelly and seconded by Director Stein.

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

2. DISCUSSION REGARDING AN EXTENSION OF THE CONSTITUTION PLAZA LEASE WITH CONNECTICUT CONSTITUTION ASSOCIATES LLC

Mr. Kirk said the item for discussion concerns the lease agreement for CRRA Headquarters located at Constitution Plaza. He said the lease expires at the end of this calendar year and the write-up provides information concerning the historical cost basis, the current market in Hartford, historical costs of moving, and management's summary of three possible options for CRRA's future location. Mr. Kirk said Mr. Egan and Mr. Bolduc handled most of the negotiations with CRRA's landlord.

Director Kelly said she is not an expert, but it seems to her that the real estate market in Hartford has been soft in the past, and continues to be so. She said CRRA is in a time of real transition and as a Board member she was looking to retain flexibility and not a commitment to the status quo. Mr. Kirk said he believes management has provided the flexibility the Board desires, to the extent that it can, by providing for a renewal on a year to year basis. He explained this allows CRRA to be in a position to adjust the amount and location of its square footage requirement. Mr. Kirk said he feels CRRA's biggest challenge, beyond a year to year basis agreement, is its square footage requirements,

particularly given the changing market conditions and the anticipated results of the Governor's task force.

Mr. Kirk said the re-negotiation of the agreement gives CRRA the opportunity to opt-out in each of the next few years. Mr. Bolduc said the cost per square foot is determined by rentable and usable space. He said CRRA has the advantage of useable space, which it negotiated when it came down from the 18th and 17th floors to the 5th and 6th floors, where it currently resides. Mr. Bolduc noted CRRA is in a major state of flux which creates an issue of how much square footage is required. He said with its current lease agreement CRRA would have to commit for another three years. Mr. Bolduc said contrary to rumors of the wide spread availability of square footage in Hartford, that does not necessarily mean that the owners and developers are dropping their prices.

Mr. Bolduc said a bigger driver in this equation is how much square footage is required by CRRA. He said to handle that risk the best solution is to shorten the time frame of CRRA's lease and to provide the flexibility to opt-out if need be.

Director Stein said CRRA owns property which could be utilized for office space. He said right now CRRA is paying rent to a private landlord in prime real estate in downtown Hartford. Director Stein said CRRA has had staff reductions since this lease was signed, and based on the budget there may be additional staff reductions. He said there may be other options to use existing CRRA real estate as opposed to renting in downtown Hartford.

Mr. Bolduc said the market data does not necessarily show that downtown Hartford is more expensive than other locations. Mr. Bolduc said management did look at other options, such as moving to Murphy Rd (the location of the Trash Museum in Hartford, CT). He said moving to Murphy Rd. would require the Board to address the possible closure of the museum as there is simply not enough space to house both CRRA and the museum in the same place. Mr. Bolduc said it may require splitting up the work force into different locations, and creates an issue for those employees who take the bus to work, as there is no bus route at Murphy Rd. He said in addition there is the cost of the move and the costs for new computer hardware, servers, and telephones to consider.

Mr. Bolduc said management's investigations confirm that those costs are expensive and must be amortized over time. He said the Hartford Business Journal recently listed the rentals put out by each town in the area. Mr. Bolduc said Hartford is not out of line in comparison to rents in neighboring areas. He said for example rent per square foot in East Granby is \$16.50, \$19 in Southington, \$15 in New Britain, and \$20 in Rocky Hill. Mr. Bolduc said the square footage required by CRRA is not determined by employees alone, but also by the record rooms and other statute required amenities.

Mr. Bolduc said major changes in CRRA's future may affect the determination of appropriate space required for employees, which may be difficult as those numbers may be changing. Mr. Kirk said management has identified three potential CRRA facilities which may be used as office space; Murphy Rd. (in conjunction with a small amount of space which could be converted at the plant), the Collins Building in Hartford, CT, and lastly the Trash Museum located in Stratford, CT. He said the rebuild for the Collins Building would be costly due to its structure. Mr. Kirk said the Trash Museum, although one of the least costly build outs presents a location issue. He said more importantly management is in the middle of evaluating that space in terms of conversion into a single stream recycling facility or a dual recycling and transfer station.

Mr. Kirk said after evaluating these options management determined that it would be better prepared to make a decision after a year. He said any moving options would include amortized costs for some period of time, and due to the required storage files and computer hardware CRRA is statutorily required to have, those costs are not insignificant. Mr. Kirk said management is not stating that downtown Hartford is the best location, however from an urban and suburban standpoint and from a cost per square foot, it is comparable to other offices, and from an all in cost standpoint it is preferable to moving costs at this time.

Director Stein asked if he was correct in stating that CRRA will be spending an additional \$1.00 per square foot, adding \$15,000- \$16,000 to the contract, will have the ability to unilaterally break the lease for a set cost, and each additional year CRRA stays in the current least it would cost another \$1.00 a square foot. Mr. Bolduc replied yes. Director Stein said the logic of buying a year while the unknown is sorted out makes sense. He said CRRA should take advantage of the next nine months to look at other options in a more quantitative sense. Director Stein said ultimately he would suggest if CRRA stabilizes it should take advantage of property it already owns for future office space. He said although management has bought a year that development would take time and planning.

Director Kelly said she feels CRRA's headquarters should be located in Hartford due to its proximity to government and CRRA properties. She suggested that Stratford is less desirable. Director Stein agreed. Director Kelly said she agrees with management's recommendation that CRRA stay in its current location for the moment. She said with everything CRRA is currently facing moving, on top of those responsibilities, would be a disservice and would take attention away from items of greater importance. Director Kelly said she felt the decision in determining CRRA's location must be done in a very short time frame as the lease needs to be completed by the end of March.

Mr. Kirk said Murphy Rd. is certainly feasible and in some ways preferable as an option. He said one of the reasons management did not look into Murphy Rd. further in the past was due to the Board's desire to keep the museum open. Mr. Kirk said the museum and the office cannot inhabit the same space. He said Murphy Rd. is certainly an option, but the cost and amortization of that cost would be the primary issue which would have to be examined and accepted. Mr. Kirk said from an operations standpoint there are some benefits to that option as it is closer to the plant and CRRA customers. He said the last time the Board examined the lease it decided against Murphy Rd. as an option in an effort to maintain the museum and avoid the costs of moving.

Director Stein said it sounds like moving this year is a bad idea. He said he would support a motion to approve management's recommendation with the proviso that management look further into examining options for CRRA's future headquarters. Director Kelly suggested adding a provision that Murphy Rd. should be considered as a primary alternative. Ms. Hunt said there is no motion associated with this particular recommendation. She said typically when extensions are built into the contract the Board is informed of management's actions, at which point the Board is welcome to raise objections or concerns.

Director Kelly asked for clarification on management's actions. Ms. Hunt said management is going to extend the lease with a relatively minor amendment which will allow CRRA to exercise the option to leave after each of the first two years. She said because that extension does not cost more than \$50,000 a year Board approval is not required for that amendment. Director Kelly disagreed with that viewpoint. Mr. Kirk said management can certainly prepare a resolution for the full Board which includes the suggestions from Director Stein and Director Kelly to pursue the amendment to the lease

to elect another year, and to direct management to pursue alternatives for CRRA headquarters for discussion prior to the next decision point. He said the Governor's task force on CRRA's mission may make that decision clear. Mr. Kirk said management will do as requested and may consider other locations in addition to the before mentioned CRRA property which was discussed.

3. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING THE JET TURBINE FACILITY ENERGY MANAGEMENT SERVICES AGREEMENT**

Mr. Egan said management does not have confirmation from its preferred bidder that its business exception will be resolved. He said management will not have that information for several hours. Mr. Egan suggested the Committee hold further discussions in Executive Session as management would like some concurrence on its recommended vendor.

4. **MOTION TO TABLE THE RESOLUTION REGARDING THE JET TURBINE FACILITY ENERGY MANAGEMENT SERVICES AGREEMENT**

Director Stein requested a motion to table the above referenced item in light of Mr. Egan's comments. Director Kelly made the motion to table which was seconded by Director Stein.

RESOLUTION: That the President is hereby authorized to execute an agreement with NextEra Energy Power Marketing, LLC for the provision of energy management services for the South meadows Jet Turbine Facility, substantially as presented and discussed at this meeting.

The motion to table was approved unanimously by roll call.

5. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING A HOST COMMUNITY BENEFIT AGREEMENT AND LEASE AGREEMENT WITH THE TOWN OF ESSEX**

Director Stein requested a motion to approve the above referenced item. The motion was made by Director Kelly and seconded by Director Stein.

RESOLVED: That the President of CRRA is authorized to execute a Transfer Station Host Community Agreement with the Town of Essex, substantially as presented and discussed at this meeting, and

FURTHER RESOLVED: That the President of CRRA is authorized to execute an amendment to the Lease Agreement between CRRA and the Town of Essex for the Transfer Station real property to extend the term of the lease and delete the payment provision, substantially as presented and discussed at this meeting.

Mr. Kirk said management negotiated a consistent host fee arrangement on a per ton basis to reflect the hardship and town impact to host community transfer station towns. He said management was unable to effect a final negotiation with the town of Essex for several reasons. Mr. Kirk said management recently concluded that negotiation with the town and reached an agreement similar to

those exercised with other host communities. He said the difference is Essex has ownership of the transfer station and CRRA retains ownership of the real estate in the case of other transfer stations.

Mr. Kirk said this agreement brings all of the transfer stations to the same host community compensation. He said management is recommending paying the original host community fee back to the original date for the host fee initiation as this would make Essex whole and comparable to the other member towns.

Director Kelly asked for more information on the money owed to Essex. Mr. Egan said the resolution has two approvals, a resolution to approve the host-community benefit agreement, and a second to amend the lease to extend the term. Mr. Egan said CRRA signed the lease agreement in 1987. He said there is a provision in the lease, which was overlooked from the beginning that CRRA pay Essex 20% of the assessed value of the facility. He said Essex never invoiced CRRA, which in turn never paid Essex. Mr. Egan said this provision first came to his attention this fall and there are 20 plus years of back payments. He said on an annual basis they are modest payments of \$1,000 a year, which totals approximately \$30,000 back to June of 2007, when the host-community agreement will take effect. Mr. Egan said it is the Board's discretion whether or not to pay this amount which goes back to 1987. He said management recommends paying this amount as it is owed and noted that CRRA leases the land from Essex.

Director Stein said the 2012 Mid-Conn budget shows \$32,000 for the host-community benefit, the recommendation to get Essex current is another \$158,000, plus another \$31,765 for lease payments never made, which is a little over \$220,00 in total. Mr. Egan agreed. Director Stein said he would not expect back payments from 1987. Mr. Kirk said the \$31,765 covers the back payments and noted the majority of the \$200,000 covers 2008-2012 deliveries. He said CRRA has not been paying any host fees to the town for those four years, until Essex agreed to the new specific per ton host-fee. Director Stein asked if this money was reserved. Mr. Egan replied no. He said CRRA accrued for about \$60,000 out of the \$158,000 and the difference will come out of the Mid-Conn operating budget.

Director Stein said that is troubling. Director Kelly said that she will be abstaining from this vote. She said she wasn't aware that Essex was not happy with this decision and this is not typically something that she is used too. Director Kelly suggested bringing this directly to the full Board. Mr. Egan said he wanted to note in calendar year 1999 and 2000 all four transfer stations began to see more trash delivered than was originally contemplated and permitted in 1987 when first constructed. He said in the late 90's management approached the Connecticut Department of Energy & Environmental Protection (hereinafter referred to as "CT DEEP") and requested permission to modify its solid waste permits to allow CRRA to take in additional quantities of trash at the four transfer stations. Mr. Egan said the CT DEEP agreed and instructed CRRA to submit four permit modifications which it would approve, which CRRA then did in 1999 and 2000.

Mr. Egan said those permit modifications sat around for four to five years until the CT DEEP turned its attention to them and began issuing modifications to Torrington, Watertown, Essex and Ellington. He said Essex objected to the permit modification increasing the tonnage, which prompted CRRA management to approach the CRRA Board to develop a uniform host-community benefit for transfer stations which CRRA operates in municipalities. He said management looked into evaluating the transfer stations and the tonnage delivered and in response developed a 50 cent per ton payment which is close to what a private sector transfer station would pay in property taxes.

Mr. Egan said at this point management began negotiating these deals with Torrington, Essex, and Watertown. He said Essex was the last town to start discussions. Mr. Egan said what triggered this initially was an objection by Watertown and Essex to increase the permitted tonnage at the transfer station. Mr. Egan said prior to this uniform agreement each transfer station had a different arrangement. He said Watertown was being paid a per ton fee for all of the garbage for the City of Waterbury but nothing else, Torrington had an arrangement where bulky waste delivered to the Torrington transfer stations was managed at a reduced cost (or no cost), and there was no arrangement in Ellington or Essex. Mr. Egan said the uniform system created a solution for all four transfer stations. He said in calendar year of 2008 the payments were made to the transfer stations retroactive to June of 2007.

Mr. Kirk said if it is the Committee's preference to go directly to the full Board with this issue management will bring a resolution to the Board without any recommendation from the Committee. He said the Board's direction six years ago was to treat the towns fairly and consistently. He said although the Essex issue took longer than the others, CRRA is treating the towns all the same on per ton basis which mimics the benefit they would receive if it were privately owned. Mr. Kirk said the issue in this arrangement was the lack of payments through 1987 which were never invoiced by Essex. He said when the town did its due diligence to consider this new arrangement it discovered the 20% assessment payment. Mr. Egan said management sees no reason why it would not pay something in arrears, other than the fact that Essex did not invoice CRRA. He said not paying is certainly an option, however Essex many not agree, and may also object to that decision.

Director Kelly said she is not in support of providing the \$31,675 in back payments. She said the towns have to be aware of their requirements. Director Kelly said she is in favor of treating Essex similarly to how the other transfer stations were treated. Mr. Egan said payment of the \$31,675 is not part of the resolution. He said he is looking at the lease payment as a payment which was overlooked however, Essex has not invoiced CRRA. Mr. Egan said if the Board determines it will not pay Essex for the payments back to 1987 that can be addressed.

Director Stein said he agreed with many of Director Kelly's points. He said on one hand there are five years' worth of payments which are merited. He said he is troubled that no accruals were made and no reserves were set aside to pay this expected bill which becomes a big part of the current budget assessment. Director Stein said paying lease payments pre-2007 is troubling, even with a number of this size, and the full Board should discuss this issue. He said he is very troubled that this fiscal year, in which CRRA is entering into some difficult financial times, is being hit with \$200,000 worth of payments. Mr. Kirk noted that in the budget reviews each January management has identified this issue and the Board's decision was to not accrue those costs.

6. **REVIEW AND RECOMMEND FOR BOARD APPROVAL EMERGENCY PROCUREMENT FOR JTF ISO-NE RTU COMMUNICATION REPLACEMENT SYSTEM**

Director Stein requested a motion on the above referenced item. Director Kelly made the motion which was seconded by Director Stein.

RESOLUTION: That the CRRA Board of Directors ratifies the Emergency Procurement as substantially presented and discussed at this meeting.

Mr. Kirk said this resolution concerns the controlling mechanism by which the jets operate through CONVEX (Connecticut Valley Exchange, a subsidiary through New England ISO). He said this is an emergency procurement because management made a judgment that it was critical that the dispatching RTU be available to insure that the revenue from the jets is uninterrupted. Mr. Kirk said it appeared that CRRA's contractor Convex, and CRRA's present contractor, could not assure there would not be an interruption in control capabilities through the end of its contract. He said management felt it was appropriate to convert the existing hardware into a back-up remote control unit while its new contractor builds out an up-to-date RTU in the existing control room at the EGF. Mr. Kirk said management has wanted to coordinate and concentrate the controls of the jets into the controls of the other two turbines in order to eradicate duplicate services. He said this will prevent CRRA from being in a position of not having control.

The motion was approved unanimously by roll call.

EXECUTIVE SESSION

Director Stein requested a motion to enter into Executive Session to discuss pending litigation, trade secrets, personnel matters, and feasibility estimates and evaluations. The motion made by Director Kelly and seconded by Director Stein was approved unanimously. Director Stein requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Laurie Hunt, Esq.
Peter Egan
Virginia Raymond
Christopher Shepard

The Executive Session commenced at 10:30 a.m. and ended at 11:20 a.m. Director Stein noted that no votes were taken.

The meeting was reconvened at 11:23 a.m., the door was opened, and the Board secretary and all members of the public were invited back in for the continuation of public session.

7. REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING ADDITIONAL PROJECTED LEGAL EXPENDITURES

Director Stein requested a motion on the above referenced item. The motion was made by Director Kelly and seconded by Director Stein.

WHEREAS, CRRA has entered into Legal Service Agreements with various law firms to perform legal services; and

WHEREAS, the Board of Directors has previously authorized certain amounts for payment of fiscal year 2012 projected legal fees; and

WHEREAS, CRRA expects to incur greater than authorized legal expenses for Mid-Connecticut Project environmental legal services;

NOW THEREFORE, it is RESOLVED: That the following additional amount be authorized for projected legal fees and costs to be incurred during fiscal year 2012:

<u>Firm:</u>	<u>Amount</u>
Brown Rudnick	\$100,000

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

INFORMATIONAL

Director Stein said the jet turbine facility energy management services agreement will be deferred to management's recommendation to the full Board pending the availability of additional information.

Director Stein asked for an update concerning the Incredible Motels matter under the legal updates sheet contained in the package. Ms. Hunt explained that is a matter which has been going on since the late 1990's. She said it was originally a lawsuit by businesses and homeowners in the area of the Hartford landfill. Ms. Hunt said originally there were a huge number of plaintiffs and claims which eventually became a lawsuit focused on three items; damage to cars (specifically those at the dealerships in the area); odors, and the height of the landfill. She said this part of the lawsuit settled in 2006 and CRRA's insurance company paid the claim to settle and then turned around and brought a declaratory action against CRRA for a ruling that they did not need to indemnify CRRA. Ms. Hunt said the issues it moves very slowly and CRRA is currently in a holding pattern as both sides filed motion for summary judgment in December. She said as there is no time limit the judge will decide that in his discretion.

ADJOURNMENT

Director Stein requested a motion to adjourn the meeting. The motion made by Director Kelly and seconded by Director Stein was approved unanimously by roll call.

The meeting was adjourned at 11:23 a.m.

Respectfully submitted,

Moira Benacquista
Secretary to the Board/Paralegal