

MID-CONNECTICUT PROJECT MUNICIPAL ADVISORY COUNCIL

The Mid-Connecticut Project Municipal Advisory Council (MAC) held its first meeting on Wednesday, October 15, 2008, at the Trash Museum in Hartford, Connecticut.

PARTICIPATING MUNICIPALITIES AND THEIR REPRESENTATIVES:

Avon	Blythe	Robinson	Assistant Town Manager
Avon	Bruce	Williams	Public Works Director
Barkhamsted	Donald	Stein	First Selectman
Bolton	Joyce	Stille	Administrative Officer
Canton	Richard	Barlow	First Selectman
Coventry	John	Elsesser	Town Manager
East Granby	James	Hayden	First Selectman
East Hartford	Melody	Currey	Mayor
Glastonbury	Richard	Johnson	Town Manager
Granby	William	Smith	Town Manager
Granby	John	Adams	First Selectman
Hartford	Marilynn	Cruz-Aponte	Assistant to the Director of Public Works
Harwinton	Frank	Chiaromonte	First Selectman
Hebron	Mike	Harder	
Killingworth	Richard	Cabral	First Selectman
Manchester	Julian	Freund	Budget Officer
Middlebury	Thomas	Gormley	First Selectman
Naugatuck	Mike	Bronko	Mayor
Naugatuck	Sheila	Baummer	Recycling Coordinator
Newington	John	Salomone	Town Manager
Old Lyme	Timothy	Griswold	First Selectman
Old Saybrook	Michael	Pace	First Selectman
Oxford	Mary Ann	Drayton-Rogers	First Selectman
Oxford	Carl	Serus	Administrative Assistant
Oxford	Wayne	Watt	Public Works Director
Simsbury	Rich	Sawitzke	Dir. Project Engineering
Suffield	Scott	Lingenfelter	First Selectman
Tolland	Steven	Werbner	Town Manager
Vernon	Jason	McCoy	Mayor
Vernon	John	Ward	Interim Town Administrator
Winchester	Keith	Robbins	Town Manager
Windsor Locks	Steven	Wawruck	First Selectman
Woodbury	Paul	Hinckley	First Selectman
Capitol Region Council of Governments	Mary	Kowalewski	CRCOG staff
Capitol Region Council of Governments	Jennifer	March-Wackers	CRCOG staff

CRRA MANAGEMENT ATTENDEES:

Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Peter Egan, Environmental Affairs & Development Director
Mike Tracey, Operations Manager, Construction Management
Tom Gaffey, Enforcement/Recycling Director
Paul Nonnenmacher, Manager of Public Relations and Education
Moirra Kenney, Paralegal/Secretary to the Board
Lisa Bremmer, Executive Assistant to Tom Kirk

CRRA BOARD ATTENDEES:

Chairman Michael Pace
Ray O'Brien, Director
Tim Griswold, Ad Hoc/MAC Chair
Alan Desmarais, Director
Mark Lauretti, Director (via telephone) - **left conference at 9:45 a.m.**
Ted Martland, Director (via telephone)

1. CALL TO ORDER

Municipal Advisory Committee Chairman Timothy Griswold called the meeting to order at 9:10 a.m. at which time he introduced himself as an Ad Hoc member of the CRRA Board of Directors as well as representing the Town of Old Lyme as its First Selectman. The pledge of allegiance was then recited.

2. WELCOME AND INTRODUCTIONS

Chairman Griswold introduced CRRA Chairman Michael Pace as well as all CRRA Board members and staff in attendance. Municipal attendees were requested to introduce themselves by name, municipality represented and responsibility.

Chairman Griswold invited Chairman Pace to offer his comments prior to the start of agenda. Chairman Pace thanked everyone for coming and stated the purposes of the meeting are to 1) provide a new means of communication between the towns and Board and the Mid-Conn Project member towns 2) create a new advisory committee similar to what is in place at the Wallingford, Bridgeport and Southeast Projects; 3) put a face on CRRA, its senior management and its Board of Directors; 4) provide some information so that town officials will have the baseline information necessary to participate. Chairman Pace said CRRA is seeking to build a bridge between CRRA and the CRRA member towns CRRA is here to serve.

Chairman Griswold added that while the local officials in attendance often hear about CRRA, they may not focus on it very much. He said he hopes the meeting today will be informative and will prompt some good dialogue. Chairman Griswold then asked the attendees to introduce themselves.

Director Lauretti (participating via teleconference) apologized for not being in attendance in Hartford but wanted to stress the importance of this meeting. He is appreciative of the attendance and said it is very important for everyone to get closer to the situation and that he encourages this process.

3. APPROVAL OF PRIOR MINUTES

Chairman Griswold stated this is the inaugural meeting of the Municipal Advisory Committee therefore there are no prior minutes to approve.

4. PUBLIC COMMENT

Members of the public wishing to address the Municipal Advisory Committee may speak for up to three minutes.

Mayor Currey, chair of the Capitol Region Council of Governments (CRCOG), said that CROG is looking at municipal solid waste and has commissioned a study which should be available mid-December. She asked all 70 Mid-Conn towns to give CRCOG a chance to review the results and come back with an action plan. She added her sincere thanks to CRRA for putting together the Municipal Advisory Committee as the dialogue is crucial to the entire region. She believes CRRA is an alternative for the future and is probably the biggest and the best one around.

5. MID-CONNECTICUT PROJECT UPDATE

President Kirk provided this review and noted that the Municipal Advisory Committee will meet periodically, similar to our advisory committees in other projects, to review the operating status and open issues with project work.

A. OPERATIONAL PERFORMANCE

i. TONNAGE – President Kirk said the plant runs well with some exceptions. He explained that the trash-to-energy plant consists of a fuel preparation side, operated by MDC, and the power generation facility operated by Covanta. The improvements over the past couple of years to the fuel preparation side have been remarkable. A substantial amount of capital investment and direct CRRA engineering management is starting to pay dividends.

President Kirk said CRRA has increased the capacity of the fuel preparation facility by 25 percent in the past two years and is starting to see record-setting production numbers. The back end of the plant, where CRRA burns the fuel and convert it into energy, has not caught up yet. CRRA is continuing its capital investment in the plant and hopes of regaining its historical performance.

President Kirk said an important item for the MAC to consider today is the disappearing tonnage. Trash deliveries to Mid-Connecticut Project are down 13.7 percent from one year earlier. That is very significant, however not totally unexpected, given that all projects are down an average of about 7.5 percent. The Mid-Connecticut Project is twice as impacted. He said the information included in the agenda package shows the September 2008 monthly MSW deliveries on a per-town basis. He said CRRA is experiencing twice the reduction in tonnage because of diversions, typically haulers steering garbage away from the Project. He explained this is garbage which is under the haulers' control but contractually promised to the Project. He said the tonnage that disappears from the Project does not pay the \$72/ton tipping fee, causing substantial revenue impact to the Project. Less revenue means higher tip fees in future years. President Kirk asked the MAC members to examine the information concerning their particular towns and, if they see a negative growth of more than 10 percent, to ask their public works departments to review the situation, to examine their enforcement options and contact CRRA's enforcement chief, Tom Gaffey.

ii. RECYCLING – President Kirk said the Project has just completed a \$3 million retrofit to its recycling facility. (He encouraged all attendees to take a tour which will be provided at the conclusion of the meeting.) He said the renovation is focused on providing a single-stream alternative to the towns. He said the equipment acceptance is complete and the facility is up and running full speed. CRRA is maintaining its dual-stream capability, so towns now have the option of continuing dual-stream or moving to single-stream. President Kirk said CRRA is involved in a pilot program with the City of Hartford that has 4,500 homes and the single-stream pilot program has yielded a 100 percent increase in recycling. He said that is a very substantial increase so single-stream recycling should be a big financial benefit to the towns that convert. CRRA recently distributed \$792,000 in rebates to the towns, which represents a \$10 per ton for all the recycling they did at the project, a substantial savings. Besides the \$10-per-ton rebate, the real savings to the town is avoiding tipping fees. The total avoided tipping fees because of last year's recycling for the 70 towns totaled \$5.4 million dollars. He said the Town of Coventry as the 'star recycler' for the Project, having recycled a greater percentage of its waste than any other town, although Coventry is a pay-as-you-throw town.

iii. EDUCATION – President Kirk described the Hartford Trash Museum and Stratford Garbage Museum, which are heavily utilized by all of the project towns. There were 15,000 residents participating in Trash Museum education programs in the past year. President Kirk strongly encouraged meeting attendees to contact their school boards and organizations, civic and community groups, to encourage them to visit the visitor's centers and to note reservations fill up quickly.

B. FRANKLIN ASH LANDFILL INITIATIVE – President Kirk said the Mid-Connecticut Project is in the process of closing the Hartford landfill, which has served the project for some 25 years. He said the absolute last day for deliveries for ash and process residue will be December 31, 2008, after which CRRA will undergo a very expensive process of shipping waste to primarily out-of-state landfills. This will represent a huge cost differential relative to present costs. He said this will cost another \$17 per ton because CRRA will no longer have the minimal tip fee option available here in Hartford. He said to mitigate that cost CRRA, is trying to develop an ash landfill in Franklin, Connecticut.

President Kirk said CRRA has identified the Franklin site as the best of 77 which were examined. The Franklin site was found to be the most suitable site from an environmental and engineering standpoint. He said CRRA is in the midst of a one-year series of on-site tests and ecological investigations are underway. The assessment will continue through the fall and winter months. He said surveying and a traffic study is essentially complete. He said CRRA has done traffic counts and forecasts that the ash landfill will add approximately 60 truck deliveries a day onto Route 32 in Franklin. He said there are presently about 10,800 vehicle trips per day on Route 32. He said subsurface geology testing is complete and that borings to determine depth of bedrock, composition of materials, etc. have been completed. He added that seismic refraction is complete.

President Kirk said that subsurface hydrogeology testing is in process and testing for the "last potential fatal flaw" has yet to be completed, namely a pump test of the aquifer over which this landfill will be located. He noted it ironic that CRRA is required to build the landfill on top of an aquifer, and that the aquifer has to be poor enough in quality in terms of recharge rate and capability in supplying municipal water so it can be used as a landfill site. He said that test will be done within the next few weeks and, if that test comes out positive as CRRA expects, the last potential fatal flaw will have been eliminated. He added that CRRA has done cultural and archeological studies of the site and there were no problems identified there.

President Kirk said the beneficial impact of the ash landfill to the Mid-Connecticut towns is substantial. The towns would save about \$7 per ton on tipping fees if CRRA is successful in developing the Franklin landfill. He said that if CRRA is not able to develop the Franklin landfill, CRRA would have to haul its ash to a market-priced facility in Putnam, Connecticut, or out of state to New York or Massachusetts. He said both of those options are substantially more expensive than the publicly owned option and encouraged town officials to speak with their legislators. He said he has met with 30 or more representatives and senators to date, with more meetings to come. It is important to explain the substantial financial benefit a publicly owned ash landfill has for the state. He said without a publicly owned alternative for ash landfill, the state's commitment to trash-to-energy, with six plants throughout the state, would be dependent on the generosity of outside states to accept our ash.

C. LEGAL UPDATE – President Kirk outlined three issues of interest:

1) The appeal of the ongoing New Hartford v. CRRA lawsuit will be argued before the Supreme Court tomorrow, Thursday, October 16, 2008. CRRA is optimistic the appeal will be upheld. If it is, towns can expect a substantial reduction in tip fee. If it is not, towns will not see any change. An award has already been distributed to the towns so there will be no financial impact to losing the appeal. There will be a positive financial impact if CRRA wins.

2) CRRA has been named in a lawsuit from the now defunct ONE/CHANE operation here in Hartford. ONE/CHANE was a community activist group that had contracted with the CRRA many years ago in support of the expansion of the Hartford Landfill. In return for this, or for a successful expansion of the Hartford Landfill, ONE/CHANE was to receive about \$10 million from the CRRA. The expansion never occurred. However, the estate of ONE/CHANE is pursuing this lawsuit and since the permit to expand the landfill was never granted, and while CRRA doesn't see a substantial risk, the lawsuit did survive its first test in court, so CRRA is keeping this case on the radar screen.

3) MDC, CRRA's contractor in the Waste Processing Facility at the Mid-Connecticut Project, has put CRRA on notice that it will charge upwards of \$12 million dollars at the end of the project to handle its post-project costs. While CRRA does not believe it is liable for those costs and hopes to work this out amicably with the MDC. CRRA believes this cost would be significantly less than \$12 million and has to do with the cost of MDC's handling of its employees who would become unemployed if CRRA were to not renew a contract with the MDC post 2012. CRRA and MDC are pursuing discussions to determine financial liability and to minimize actual costs.

D. POST-PROJECT PLANNING – President Kirk outlined a number of CRRA initiatives under way primarily to evaluate the hardware and the engineering viability of the trash-to-energy plant. CRRA expects, given the plant was designed for a 40-year lifespan, that all of those studies will come back positive. Those which have been completed have indicated an engineering viability beyond 2024. There are a number of assumptions that CRRA can make at this point in time for post-project, the most important of which is that there are no commitments by any of the towns beyond 2012. In fact, if the Project ends sooner – triggered by an early payoff of project debt – the towns' commitments to the project would end. The \$200-plus million in bonds, which were outstanding when the new CRRA took over six years ago, are just about paid, so CRRA is very close to ending the Project early, which would mean the towns' put-or-pay commitments would end early.

CRRA expects that beyond 2012, the Mid-Connecticut Project will continue to operate and that it will be publicly owned and available to all the towns at a net cost of operation. The most important operating cost will be the cost of ash disposal. Developing the Franklin ash landfill is critical to the viability of the project, as is ensuring CRRA gets the most value from its contractors.

CRRA's enabling statute calls for the establishment of a 10-member post-project planning committee to be appointed 18 months prior to the end of the Project. Because there is an opportunity for ending the Project early, CRRA would obviously like to have that committee started earlier. That is an issue the CRRA Board of Directors is considering now. As Mayor Currey indicated, towns are starting to look at other options, as they should. CRRA believes the Mid-Connecticut Project will be the most cost beneficial choice for most the towns, but there are situations where that may not be the case, particularly in outlying towns where transportation is a bigger concern. CRRA encourages all towns to perform their due diligence on options – keeping in mind that towns may be able to, pending an early ending of the Project, capitalize on those options earlier than 2012.

E. FINANCIAL UPDATE – President Kirk requested attendees to refer to the audited financial statements for fiscal 2008 provided.

President Kirk was asked about viability studies on the trash-to-energy plant. He said that there are a number of studies, some which are completed, some are ongoing and some are yet to be done. Officials from all towns are welcome to review the results, and all reports to date strongly indicate substantial life left in the plant. There are obviously needs for capital improvement, which were deferred during the very difficult times of the Enron debacle, but CRRA is catching up with those now and will have a workable industry standard maintained plant at the conclusion of the Project.

President Kirk was asked about what benefit would accrue to CRRA and the towns were the Project to end earlier than 2012. He responded that both would benefit. Ending the Project early would eliminate the towns' put-or-pay requirements while enabling CRRA to release certain towns such as a town on the far west side of the state find it has a more favorable option to export to New York and allow new towns to join. Since there are very few bonds outstanding, there is a small economic advantage to the entire Project to eliminate the debt service. The project by statute has to operate at net cost of operation, so regardless of whether CRRA has outstanding debt service or not, the net cost of operation is still calculated the same way. The present outstanding debt service is about \$15 million, down from the \$200+ million dollars that the new board and management started. CRRA may have the capability to pay this off in fiscal year 2009, however there are a number of variables to consider: 1) CRRA's appeal in front of the Supreme Court, 2) the State Bond Commission has promised \$10 million for the closure of the Hartford landfill, 3) there are additional cases regarding the Enron debacle still pending in federal court.

President Kirk was asked whether the development of the Franklin ash landfill would result in an added savings of \$7 per ton. President Kirk explained the value is not to be understood as a reduction in a given tip fee, but rather a value of \$7 per incoming ton based on owning a public facility as compared to the cost of sending it to New York, Massachusetts or Putnam. The cost of shipping ash to a privately owned facility is up to \$80 per ton of ash at market rate. CRRA anticipates a stable tip fee moving forward.

With the Hartford landfill closing, CRRA has endured substantially higher costs but those costs are incurring just as CRRA is paying off its debt, so those effects mitigate each other. The tipping fee calculation for this year took into effect the six months of extra costs associated with the closure and unavailability of the Hartford landfill and spread it over the full fiscal year months.. The earliest CRRA can expect to have the Franklin landfill available is 2011, so CRRA will endure those substantial export costs at least through 2011 and, if CRRA is not successful at Franklin, well beyond that. The \$7 savings therefore is the difference between having a landfill available to CRRA in Franklin and not having it. In 2011 the towns can expect to pay at least \$7 more in tip fee if there is the need to ship the waste out of state.

F. FY2008 AUDIT RESULTS

1. POSSIBLE USES OF FY2008 SURPLUS

Mr. Bolduc commented on the FY 2008 Audit Results.

Revenues:

- Service Charges Solid Waste-Members/Contracts: unfavorable due to lower than expected member deliveries as seen state-wide.
- Service Charges Solid Waste-Spot: favorable due to higher than expected non-member deliveries.
- Bulky Waste-Municipal/Commercial: unfavorable due to lower than expected volume of bulky waste deliveries.
- Metal/Recycling Sales: favorable due to higher than expected metal and recycling sales market.
- Electricity: unfavorable due to less than optimum boiler performance and unscheduled PBF outages.

Expenditures:

- General Administration: favorable due to timing of legal fees and lower than expected salary and overhead costs.
- Waste Transport: favorable due to lower than budgeted export fees, partially offset by higher than expected transportation and disposal fees for processed residue.
- Regional Recycling: favorable due to lower than expected salary and overhead cost.
- Power Block Facility: favorable due to timing of expenses.

6. FOLLOW-UP ACTIONS

An email will be sent to supplement the “show of hands” question asked regarding the use of \$4 million of the FY 08 budget surplus.

7. COMMENTS AND QUESTIONS FROM MUNICIPAL ADVISORY COMMITTEE

Chairman Griswold extended thanks to all who attended this inaugural Mid-Conn Municipal Advisory Committee (MAC) meeting and stated the meeting was productive and beneficial to those attending. It provided an enhanced means of communicating the towns’ insights and advice to the management and Board of Directors of CRRA regarding the operation of the Project.

8. ADJOURNMENT

Chairman Griswold requested a motion to adjourn. The motion made by Mr. Gormley and seconded by Mr. Hinckley was approved unanimously. The meeting was adjourned at 10:25 a.m.

Respectfully Submitted,



Lisa M. Bremmer
CRRA Executive Assistant