Finance Committee
March 14, 2013 Regular Meeting
Draft Minutes

Members Present by telephone:	Chairman Timothy Griswold Joel Freedman Scott Shanley
CRRA Staff Present:	Tom Kirk, President Jim Bolduc, Chief Financial Officer Jeffrey Duvall, Director of Budgets and Forecasting Peter Egan, Director of Operations and Environmental Affairs Lynn Martin, Risk Manager Paul Nonnenmacher, Director of Public Affairs Rich Quelle, Senior Engineer Moira Benacquista, HR Specialist/Board Administrator
Also Present:	Lisa Janney and Jared McElroy of AON Risk Services, Jim Sandler, Esq. of Sandler & Mara.

Chairman Griswold called the meeting to order at 10:35 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 Feb. 14, 2013, Finance Committee Meeting

Chairman Griswold requested a motion to accept the minutes of the Feb. 14, 2013, Finance Committee meeting. The motion to approve the minutes was made by Director Shanley and seconded by Director Freedman.

The motion to approve the minutes as amended and discussed was approved by roll call.

2. Review and Recommend for Board Approval – Property Division

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

RESOLVED: That CRRA purchase CRRA's $350 Million Property Insurance from the following four (4) insurers with their shares as indicated:

- Zurich (Rated A) 42.10%
- Swiss Re (Rated A) 26.30%
- Starr Tech (Rated A+) 16.60%
- XL (Rated A) 15.00%

for the period 4/1/13 – 4/1/14 for a premium of $760,391(including terrorism) and other terms and conditions as discussed at this meeting;

FURTHER RESOLVED: That CRRA purchase loss control engineering services from XL GAPS for the period 4/1/13 – 4/1/14 for an amount not to exceed $14,625 as discussed at this meeting.

Mr. Bolduc said representatives from Aon Risk Services (hereinafter referred to as “Aon”) are present to walk the Committee through their efforts this year. He said CRRA’s Risk Manager Lynn Martin is also present. Ms. Martin introduced the Account Executive from Aon, Lisa Janney, and the property broker on CRRA’s account, Jared McElroy.

Mr. McElroy provided a synopsis on the current property insurance market. He said last year was very good until Hurricane Sandy struck. Mr. McElroy said as a result of the hurricane damage many insurance companies paid a healthy amount of losses and noted that Hurricane Sandy will likely end up being one of the top five insured losses for the property markets in the history of the United States. He said luckily CRRA was able to get through the hurricane unscathed. Mr. McElroy said the two things the market responds to are losses and high hazard catastrophic exposure; neither of which affected CRRA.

Mr. McElroy said for the most part renewals are coming in with single digit increases of between 5-9%. He said rate decreases are not happening. Mr. McElroy said Aon altered the structure of CRRA’s property insurance this year in the sense that Swiss Re, Starr Tech and Zurich, (three of the insurers from the prior year) renewed the program with around a 5% rate increase for each one. Mr. McElroy said XL is the fourth insurer and they were able to make some concessions on terms and conditions allowing CRRA to not have to purchase the flood patch which had to be purchased the year prior. He said this saved around $25,000 off of the program, which allowed CRRA to avoid an increase in the overall premium.

Committee Chairman Griswold asked for details on the flood patch. Mr. McElroy explained last year XL would only provide flood coverage with a $75 million sublimit on its share of this insurance. He said all other insurers contributed based upon a $125 million flood sublimit. He reminded the members that XL’s quota share is only 15%. Mr. McElroy explained to make up for XL’s shortfall; CRRA was forced to buy a “patch” to reach the $125 million flood sublimit. He said the patch was purchased through a wholesale market and cost CRRA $26,000 for XL’s 15% share to bring that limit up to $125 million. Mr. McElroy said CRRA did not have to purchase that flood patch this year and XL did not charge any additional money and agreed to increase the sublimit to match everybody else at $125 million. He said that flood coverage was predominately due to the location of the South Meadows (formerly Mid-CT) facility.

Mr. McElroy said overall the pricing came in pretty much flat. He said there was an increase of around $4,000. Mr. McElroy said Aon was pleased with the pricing result and that there was no real rate increase with the program. He said Aon approached several new markets including FM Global (hereinafter referred at as “FM”) a top notch insurer with an emphasis on engineering. Mr. McElroy said unfortunately due to CRRA’s occupancy FM was not interested in CRRA’s program. He said Aon also approached the rest of the marketplace for more competitive pricing; however the markets which Aon put together last year were still the most competitive on the program.

Ms. Martin referred the Committee to pg. 5 of the Committee’s package to view a chart which compared last year’s prices (which are expiring), to the recommended renewal this year. She noted the $26,000 (Flood Patch) which CRRA paid last year does not have to be paid this year. Ms. Martin said Aon also marketed the engineering services which CRRA purchased last year from XL GAPS. She said for the last several years CRRA has had an independent engineering firm look at the operations and equipment and make recommendations for improvement. Ms. Martin said a spreadsheet is prepared from the recommendations in the report which is then reviewed with CRRA’s Chief Engineer; Mr. Quelle. She said together with the inspector, they assign a timeline for completing the recommendations. Mr. Quelle has in the past reviewed the engineering proposals and did so again this year. She asked Mr. Quelle to speak to his findings regarding the engineering reports.

Mr. Quelle said XL GAPS has done a very good job for CRRA since 2009. He said with XL GAPS’ assistance management has developed a punch list, which still contains many open items, amounting to about $500,000, which still need to be resolved. Mr. Quelle said starting with another engineering company at this juncture does not make a lot of sense to him. He said in order to get XL GAPS acclimated in 2009 so that they understood the WPF, PBF and Jets operations took a week of overview. He said getting it all straightened out has required follow-up by deeper overviews each year. Mr. Quelle said he would recommend staying with the existing vendor and addressing the existing list versus starting the whole process over again.

Mr. Quelle said the quality of the reports is equally good. He said prior to 2009 previous inspections did not go into as much detail and to the level of expertise provided by XL GAPS or bring out the level of deficiencies they highlighted. Mr. Quelle said management has spent hundreds of thousands of dollars since 2009 on the ongoing process of fixing things which needed to be rolled into the budgets and capital plan. He said XL GAPS identified many issues and risks involving the jets, steam turbines, and water induction issues which take a lot of time to fix with budget planning and execution.

Committee Chairman Griswold said the bottom of pg. one refers to a maximum foreseeable loss of $347 million. He said pg. 2 shows that the annual insurable property expense for all occasions is $567 million. Committee Chairman Griswold asked management to reconcile those concepts. Mr. McElroy said the maximum foreseeable loss is for any one event. He said after analyzing a location XL GAPS comes up with the worst possible scenario CRRA may incur. Mr. McElroy said the $567 million is everything CRRA owns. He said for an event to hit every piece of property that CRRA owns is not realistic and repeated that the maximum foreseeable loss (MFL) is meant to represent one event. Committee Chairman Griswold asked if this MFL considers all facilities. Ms. Martin replied the MFL incorporates the WPF, PBF, and EGF and the Jets all at the one site. Committee Chairman Griswold asked if the $567 million includes others sites. Ms. Martin said, yes, all the other ancillary facilities and locations are considered in the $567 million.

Director Freedman asked how the $347 million figure is reached. Ms. Martin said CRRA assigns a value to each of the property components and the insurer decides what the vulnerability is of those facilities considering such factors as construction, fire detection and prevention applications. Mr. McElroy said the $348 million would cover a total loss of the South Meadows facilities, any type of business interruption, and any extra expense which CRRA would incur as a result of that location being wiped out.

Director Freedman asked if that would include clean up. Mr. McElroy replied yes. He said the MFL would be used to calculate the limit which CRRA purchases, which is what the $350 million is designed to cover. Director Freedman asked if this would include pollution clean-up from an incident. Mr. Kirk said that would not be pollution mitigation. Director Freedman asked for an explanation of the business interruption as this is not a traditional enterprise. Director Freedman said if CRRA is down for a year would that mean that the policy would cover the loss of electrical revenue. After some discussion Mr. McElroy said according to the business interruption worksheet there is roughly $16.7 million of coverage for a loss of revenue from electricity. He said the business interruption limit is based on the worksheet provided by CRRA. Director Shanley said that is a rational figure for where CRRA finds itself in terms of electric revenue.

Committee Chairman Griswold asked if he was correct in stating the tip fee calculation is about twice that number. Mr. McElroy replied the tip fee revenue is about is $44.7 million. However, he said, CRRA would continue to collect that anyway even in the event of a loss, so that revenue would not be part of the business interruption number. He said CRRA would not lose that income but would have to pay extra to take the garbage elsewhere which is covered under the program as an Extra Expense. Mr. McElroy said combined the BI/EE figure is about $60 million.

Director Freedman asked for an explanation of the incidents which would trigger the business interruption coverage. Mr. McElroy said any type of covered property loss would trigger the policy such as flooding, fire, earthquake, windstorm, and terrorism, anything that would cause that location to fail. Director Freedman asked if closure from civil authority is covered. Mr. McElroy said there is a sublimit for civil authority. He asked what type of civil authority Director Freedman was referring to. Director Freedman said for example if there was a problem at the plant which spread pollution to East Hartford. Mr. McElroy said that would not be covered by property insurance.

Director Freedman asked what if a civil authority shut down a facility because a hurricane was expected to hit? Ms. McElroy said that is a tricky scenario and would need to be worked out with the property market. Ms. Janney said Aon has claims managers and underwriters who work with Mr. McElroy and would assist in negotiations for a situation like that. Mr. McElroy said anything that CRRA takes on as a cost to reduce its loss can be covered by the policy.

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

3. Review and Recommend for Board Approval – Renewal of All Risk Property Insurance and Public Officials' & Employment Practices Liability Insurance

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

> **RESOLVED:** That CRRA's Public Officials and Employment Practices Liability insurance be purchased from ACE with a $10,000,000 limit and up to $10,000,000 in defense costs and expenses outside the limit, and a $150,000 self-insured retention for the period 4/1/13 – 4/1/14 for a premium of $144,796, as discussed at this meeting.

Ms. Janney said the public officials insurance is renewing flat this year, with no change in premium or coverage, with a $10 million limit for each claim and an annual aggregate of $10 million and an additional $10 million in defense costs. She said the self-insured retention is $150,000 and the coverage is with ACE. Ms. Janney said Aon did a marketing effort which can be seen in Exhibit A in the members' packet, the Quote Disclosure Report. She said there is a similar report in the property section which Mr. McElroy just reviewed which reflects the results of that marketing effort, as well as Aon's full disclosure of its income. She said every year Aon demonstrates the revenue for Aon is zero because they are compensated on a flat annual fee.

Ms. Janney said unfortunately the market is very limited for public officials and employment practices liability for public sector business as well as environmental business. She said Aon has approached every market which would be interested. Ms. Janney said the form which CRRA has with ACE American is excellent because CRRA has been with them for six years and the form has been improved year over year. She said it is the broadest coverage available for a public entity at this point in time.

Ms. Janney said Aon looked at some benchmarking with Ms. Martin and is typically seeing $5-$10 million for what other entities are purchasing. She said the extra $10 million in defense costs is unique to ACE and no other market is doing that at this time. Ms. Janney said typical exclusions included losses which are known and not recorded, dishonesty, fraud, false statements, breach of contract, etc. She said at a recent meeting Aon reviewed a number of exclusions on the policy form itself.

Ms. Janney said the two options offered by ACE are shown on pg. one in the members' packet; the current limit is $10 million, the same limit is offered for $144,796 and a $150,000 retention was offered for very little savings which Aon is not recommending.

Director Shanley asked if the self-insured retention cost is specifically for legal and any claims paid out, or just for claims. Ms. Janney replied both. Committee Chairman Griswold asked if the claims experience on pg. two will enter into the quote at some point in the future or has it already been factored in. Ms. Janney replied that it is already factored in and ACE has not really done anything as a result so that would drop off over the next two years. She said that would not have an impact on ACE, but because that loss now appears, other carriers would not want to write it. She said losses are only shown for five years and typically underwriters only require five years of losses.

Director Freedman asked if ACE is covering every public entity out there. Ms. Janney replied no. She said the largest writer of public sector Directors & Officers (D&O) coverage is Chartis, also known as AIG, which CRRA is not permitted to work with due to ongoing litigation. Director Freedman asked if ACE was the only bidder out of everyone contacted. Ms. Janney replied yes and noted that has been the case for several years. She said those bidders which indicated they were interested wanted a lot more money so Aon did not pursue them any further. Ms. Janney said the current pricing is rock bottom.

Director Shanley asked what Aon's process is for soliciting bidders. She replied that every year Aon deals with hundreds of insurance markets all over the globe. She said there are certain markets interested in writing public sector business, of which there are very few. Ms. Janney said through communications in the market for its clients Aon knows which markets are interested in writing public sector business, as well as environmental business, and combining this knowledge with the knowledge of CRRA's loss experience, financials, and size, that market is narrowed even further. She said one of the markets on the Quote Disclosure Form in the members' packet was not able to provide anywhere near the coverage form which CRRA has, which even further narrows the market. Ms. Janney said Aon has access to any market in the world and those shown were interested in writing CRRA's business. Mr. McElroy said the property market is very similar and a majority of the markets would not be interested due to the occupancy of CRRA's properties. Ms. Janney said she did not feel that Chartis would be able to offer CRRA anything competitive because the premium with ACE has been whittled down over the years.

Committee Chairman Griswold thanked Aon and Ms. Martin for their work.

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

4. Review and Recommend for Board Approval – Resolution Regarding the Approval of the Fiscal Year 2014 Property Division Operating and Capital Budgets

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

WHEREAS, The Authority has the ability and expertise to develop future solid waste initiatives and wishes to reserve funds to develop innovative solid waste processes; and

WHEREAS, The Authority needs to support the State of Connecticut's Solid Waste Management Plan initiatives from non-project resources; and

WHEREAS, The Authority supports the State of Connecticut's Solid Waste Management Plan's education and outreach objective by providing education services and uses its Hartford facility located at 211 Murphy Road facility to provide these services; and

WHEREAS, The Property Division provides sufficient revenues to accommodate the continuing expenses associated with the education services; and

WHEREAS, The Board of Directors has established a Severance Reserve which needs $430,000 of additional funding to be combined with $430,000 from the Connecticut Solid Waste System Budget for a total of $860,000 to properly fund the severance plan if it is utilized; and

WHEREAS, the Authority has the option to terminate its office lease on December 31, 2013, by giving notice to its landlord no later than June 30, 2013, or on December 31, 2014, by giving notice to its landlord no later than June 30, 2014, failing which, the lease will expire according to its terms on December 31, 2015; and

WHEREAS, the Board of Directors has requested that management review its current operational functions including a potential home office relocation, and the Authority has incorporated funds in the Fiscal Year 2014 Property Division budgets for the performance of such reviews, and, if appropriate, an office relocation as well; and

WHEREAS, in the event that the Authority's long term plans are still in development as of June 30, 2013, and therefore, the Authority does not give notice of its exercise of its option to terminate its office lease, any unused relocation funds together with all other unused operating expenditures will be retained in the Property Division's operating account for future use as directed by the Board; and

WHEREAS, The Authority needs to reserve funds for routine capital needs for the Property Division's facilities.

NOW THEREFORE, it is

RESOLVED: That the proposed Fiscal Year 2014 Property Division budgets be adopted in the form presented and discussed at this meeting; and

FURTHER RESOLVED: That the President is hereby authorized to approve the use of funds from the necessary funds and reserves to pay for costs and fees incurred during Fiscal Year 2014 in accordance with the operating and capital budgets adopted pursuant hereto, as presented and discussed at this meeting, provided that all purchases of goods and services shall comply with the requirements of the Authority's Procurement Policies and Procedures; and

FURTHER RESOLVED: The real property at 211 Murphy Road Hartford Connecticut, 06103 be reflected in the Authority's Property Division along with the corresponding education activities; and

FURTHER RESOLVED: That $430,000 be contributed to the Board designated Severance Reserve in Fiscal Year 2014; and

FURTHER RESOLVED: That the Authority establish the Board designated Facilities Capital Refurbishment Reserve and contribute $300,000 in Fiscal Year 2014; and

FURTHER RESOLVED: That $200,000 be contributed to the Board designated Jets Capital Reserve in Fiscal Year 2014; and

FURTHER RESOLVED: That the Authority establish the Board designated Solid Waste Future Development Reserve and contribute $788,000 in Fiscal Year 2014.

Mr. Bolduc said this budget is another component of the overall budget. He said it had its genesis three years ago as the original four projects which were under CRRA, Bridgeport, Wallingford, Southeast and Mid-Ct came to fruition and those contracts and bonds terminated leaving residual assets and liabilities which needed to be consolidated for accounting purposes. He said as a result management proposed putting those items into a Property Division budget. Mr. Bolduc said the next year a Landfill Division budget was also created because at that time CRRA was morphing and closing down a project with tail responsibilities. He referred the Committee to pg. three where items contained in the budget including the jets, leased income (lease revenues from running the land under the old Bridgeport Resco facility to Wheelabrator) are shown. Mr. Bolduc said the South Central facility refers to the residual 25,000 tons CRRA sends to the Wallingford plant which was part of the finalization of that project as several of the towns were closer to that facility than to Hartford. He said there is a delta between what those towns pay CRRA and what CRRA pays Covanta.

Mr. Bolduc said a new item in this budget is the education and trash museum. He said there was some concern expressed by the Board in the past on the inclusion of the education and trash museum activities in the Mid-Conn budget. Mr. Bolduc said the Solid Waste Management Plan repeatedly discusses the education requirements of the State. He noted CRRA is prominently reflected in section 4.3.5 of the education outreach of the 2006 Solid Waste Management Plan (which is still being utilized) which talks about the museums and education. He said there was concern by the Board as to why CSWS should pay for a State activity and as a result management placed that item in the Property Division. Mr. Bolduc said CSWS does not pay for the museum as the funding comes from the Property Division revenues which are not associated with MSA's or net costs.

Director Freedman said the museum is running a deficit. He asked where the subsidy is coming from. Mr. Bolduc replied the income is coming from these other sources. He said the $6.7 million of revenue on pg. 3 provides the subsidy. Mr. Bolduc said when the Projects were designed in the early 80's the Solid Waste Plan had more tasks for CRRA to accomplish than the contracts provided for. Mr. Bolduc said for years the education was allocated to the Projects but as they went away the towns did not want to shoulder regional costs for education. He said the Solid Waste Plan still dictates these responsibilities however CRRA has no further funding sources from tip fees. Mr. Bolduc said until that Sold Waste Plan is changed CRRA is still responsible for providing education.

Director Shanley said it was his understanding that non-Mid-Conn communities pay to visit the museum. Mr. Bolduc said under this budget every visitor will pay to visit the museum starting July 1, 2013. He said the admission charges are new revenue and will be reviewed to ensure a fair price. Mr. Bolduc said $140,000 is coming into the budget through various grants and the cost to CRRA will be around $40,000.

Director Freedman asked if CRRA has the museum because of the Solid Waste Plan. Mr. Bolduc responded that CRRA has a responsibility to provide education. He said CRRA has chosen to use the museum to educate the youth who in turn educate their parents. Committee Chairman Griswold said there was also a museum in Stratford which was closed. Director Freedman said management has interpreted the Solid Waste Management Plan as utilizing the museum to provide education and by approving a budget to sustain that effort. He asked why management is saying if we don't hold it to $235,000 (which is income coming in), that this is a violation of the Solid Waste Plan. Mr. Bolduc said CRRA does not have to have the museum but education is required and if the museum is not utilized another option needs to be developed.

Director Freedman said if CRRA is going to spend $235,000, Committee Chairman Griswold clarified that it is actually $220,000 and the income is $235,000. Director Freedman asked if the museum is self-sufficient why that is a violation of the Solid Waste Plan. Mr. Bolduc responded that he does not think the museum is self-sufficient as that was never defined. Director Freedman asked why CRRA is not trying to hold the expenditures to the revenue which is received. Mr. Bolduc said that is more of an art than a science. He said the revenues are the variable and the fixed expenses are here. Mr. Bolduc said you can't just stop a class or cut off a component because the labor costs drive the museum.

Mr. Nonnenmacher said up until a few years ago museum admission was free of charge. He said admission charges have slowly grown over three to four years. Mr. Nonnenmacher said concern was expressed to management that CRRA should slowly increase the admission charge over time in order to avoid losing customers. He said management commissioned CIRC to do a very moderately priced study to determine how much room the museum had to slowly increase its fee schedule. Mr. Nonnenmacher said the study determined further room for increases which the museum expects to leverage in the next couple of years.

Mr. Nonnenmacher said making the museum responsible for a further increase in the share of the budget costs will assist in making it self-sufficient. Committee Chairman Griswold said that he recalled the use of some money in an account to mitigate these costs. He said $43,000 is shown as a loss here but projecting out another year when that additional account is gone it will cost even more to keep the museum funded. Committee Chairman Griswold said there were also other direct educational initiatives which are no longer taking place.

Committee Chairman Griswold said there is a recycling director in his regional planning area who distributes pamphlets and flyers to encourage recycling. A discussion on possible methods of recycling education was undertaken.

Mr. Bolduc provided the Committee with an overview of the resolutions in the budget. He said the first resolve concerns administrative items and the second authorizes the President to spend whatever is ultimately adopted. Mr. Bolduc said the third resolve concerns the 211 Murphy Rd. building and is reflected in the budget with the education components. He said the fourth resolve is a portion of the severance reserve. Director Shanley asked if he was correct in stating this is the reserve needed in the event that large numbers of CRRA positions are eliminated. Mr. Bolduc replied yes. Director Shanley asked if there is anything else in the reserve. Mr. Bolduc replied no. Director Shanley asked if the reserve total for severance costs is about $860,000. Mr. Bolduc replied yes.

Director Shanley asked how the reserve total was calculated. Mr. Bolduc said the Human Resources Manager utilized the current policy and the payroll based on three to four months' worth of time. Director Shanley said it was a straight mathematical calculation of three to four months' worth of services for the current employees. Committee Chairman Griswold asked if funding is coming from the Property Division because some CRRA employees are specific to that area. Mr. Bolduc replied that the same allocation method was followed which was used for the other budgets.

Mr. Bolduc said these are unrestricted Board designated reserves which allow the Board to make changes as necessary. He said he would like to discuss the last reserve because it is a residual of money which will adjust if the first two resolves are changed. Mr. Bolduc said the jets are associated with both revenues and costs. He said historically CRRA has started off with a capital reserve which is established by determinations made by the Operations department as to what types of expenditures are required. Mr. Bolduc said most of these are big ticket items.

Director Shanley asked if there is an un-appropriated balance in the capital reserve which does not have a liability associated with it for outstanding work. Mr. Duvall said the last page shows the jets reserve. Mr. Bolduc said it is about $1.1 million. Director Shanley asked if this is a pure reserve fund or is it a reserve fund with current liabilities against it. Mr. Bolduc replied every reserve is unencumbered however CRRA has slowly reduced the amount of funds placed in the capital reserve. Mr. Kirk explained the required capital reserve was set on a very high engineering estimate of $20 million which was based on the contract and the anticipated capital estimate. He said efforts to reduce the tip fee led to management utilizing engineering studies to reduce the capital set aside and reduced that $20 million to the current amount. Mr. Kirk said many of those contracts have expired to the point where fewer reserves are required. Director Shanley asked if there is a recommended reserve balance and if an analysis had been done on how much in unencumbered reserves CRRA should have.

Director Shanley suggested that the reserves should equal the cost of the biggest issue CRRA could have if equipment was to break. Mr. Duvall said he asked CRRA's chief engineer what would happen if one jet was to break. He explained the risk would be about $1 million which is why the reserve is set in that range.

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

INFORMATIONAL SECTION

Committee Chairman Griswold said the cash flow shows the $4 million and the $1.681 million from the Hartford post-closure reserve. He said the dollars come out of the post-closure reserve and go out to re-pay Mid-Conn for expenses it paid for previously. Committee Chairman Griswold said the $2 million on footnote D is to essentially provide for future, but not necessarily commit, to the Hartford PILOT money. He said the footnote says "assumes Hartford PILOT payment $2.2 million in July" he said he wants to make sure it is clear that CRRA may not be paying the PILOT in July 1, 2013, as it depends on how things go in the next few months. Committee Chairman Griswold said the plan is for a 50/50 payment on the PILOT. He said if things do not go well this is not a commitment and that PILOT payment is up for discussion.

Director Shanley said this would be a reimbursement to the CSWS. Committee Chairman Griswold said the $1.6 million is a reimbursement. He said the $2.2 million is essentially taking money from the reserve for future PILOT payments but not necessarily providing for that. Mr. Bolduc said the CSWS is assuming that the Mid-Conn Project will be paid back the $1.6 million and will pay Hartford $2.2 million. Director Shanley said he thought CRRA had established that it is not currently in a financial position to establish future payments. He said this is another way of establishing a reserve. Mr. Bolduc said if those steps move forward as expected this mirrors a cash flow which follows the concept in the budget.

Director Shanley asked if funds would go directly to Hartford or to CSWS and then Hartford. Mr. Bolduc replied to CSWS first. Director Shanley asked if CSWS will reflect this as revenue. Mr. Bolduc replied yes. He said this is just a cash flow.

Mr. Kirk said there is no agreement to pay Hartford. He said the CSWS budget directed management to negotiate with the City of Hartford for a payment schedule. Mr. Kirk said the total was anticipated to be $2.2 million with a target of $1.1 million paid by July 1, 2013, and a near commitment for a payment later in the year based on CRRA's ability at that time. He said if there is a question about the July 1, 2013, payment it should be addressed.

Committee Chairman Griswold said he was concerned. He said if the State of Connecticut is not able to commit to assisting with 50% of the electric revenue he was not comfortable with that payment. Mr. Kirk suggested making that payment contingent on several steps such as the landfill agreement. He said all actions require Board approval regardless. Committee Chairman Griswold said he hopes the City of Hartford understands that the payment is not guaranteed.

Committee Chairman Griswold asked if the City of Hartford will still expect a payment if CRRA does not receive any financial assistance and the electricity rate stays as is. Mr. Kirk said he believes that is the case; however management and the Board contend that the payment is not guaranteed if those circumstances arise. Director Shanley said the intent is to pay the $2.2 million if the plan allows for it.

Director Freedman asked management to see if the City of Hartford has this payment in their budget. He asked what the current post-closure reserve total is. Mr. Bolduc replied that the Hartford landfill piece alone is about $15 million after the $4 million is taken out. He said there is about $8 million total. Committee Chairman Griswold asked that the footnote be clarified. He suggested adding the budget considerations to the footnote. Mr. Bolduc said these funds will remain in the CSWS operating account.

Committee Chairman Griswold asked how much has been paid out of the year to date contractual capital expenditure budget. Mr. Duvall said it has all been paid. Committee Chairman Griswold asked for that to be noted.

ADJOURNMENT

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

The meeting was adjourned at 12:25 p.m.

Respectfully submitted,

Moira Benacquista
HR Specialist/Board Administrator