Discussion Outline

- MIRA’s Evolving Financial Structure
- A Balanced Approach to Financial Self Sufficiency
- The FY 2017 Adopted Budgets
- Our Response to Key Fiscal Challenges
- Looking Forward
EVOLVING FINANCIAL STRUCTURE

- **Statutory / Contractual Drivers**
  - Landfill Transfer (Public Act 13-247 and 13-184)
  - Transition Plan (Public Act 13-285)
  - Creation of MIRA (Public Act 14-94)
  - Project Contractual Structures

- **Closed Projects and Divisions**
  - Wallingford Project
  - Bridgeport Project
  - Recycling Division (SWEROC)
  - Southwest Division

- **Projects and Divisions in Transition**
  - Southeast Project (SCRRRA)
  - Education Function
  - MidConn Project

- **Currently Active Projects and Divisions (Budgeted in FY 2017)**
  - Authority General / Administrative
  - Connecticut Solid Waste System
  - Property Division
  - Landfill Division
EVOLVING FINANCIAL STRUCTURE

- Impact on Authority Reserves:
  - $29.6 Million in Declared Surplus Funds Distributed to Towns Since July 1, 2010
  - $31.0 Million in Landfill Post Closure Care Reserves Transferred to State

- Challenge of “Right-Sizing” Authority General Administrative Expenses

- Transition from Mid CT. Project and Challenge of the CSWS Business Model
  - Basic CSWS Business Model
  - Increased Reliance on “Non Disposal Fee Revenue”
  - Aging Plant / Increasing Maintenance

- Related Planning Initiatives:
  - Original Ten Year Financial Plan Ending June 30, 2024 forming Part of Transition Plan
  - Evolution to Tip Fee Stabilization Fund and Related Procedures
  - Updated Ten Year Financial Plan Prepared as a Prelude to FY 2017 Budget Development
  - Financial Plan’s Continued Call for a “Balanced Approach” to Financial Self Sufficiency
BALANCED APPROACH TO FINANCIAL SELF SUFFICIENCY

**Authority General Administrative Expenses**
- **Personnel Expenses**
  - Staff Reduced from 51 to 41 Over Last 5 Years
  - Staff Further Reduced to 37 (plus 1 temp) Effective July 1, 2016
  - Across the Board Salary Freeze in Place:
    - Last Merit Increase January 2012
    - Last COLA June 2013
  - High Deductible Health Plan Implemented December 2015
  - Total Actual Personnel Expenses Reduced from $5.9 million to $5.0 Million from FY 2011 to FY 2015 (15%)
  - Personnel Expense Further Reduced to $4.7 Million in FY 2017 Budget
- **Non Personnel Expenses**
  - Office Relocation December 2015
  - Reduced Outside Legal Fees
  - Other Expense Reductions

**Connecticut Solid Waste System**
- **Cost Containment**
  - Allocated General Administrative Expenses
  - Contract Operator Transition
  - Waste Transportation
  - Legal Fees
  - PILOT Payments
  - Essential Reserve Fund Contributions
  - Insurance Expenses
  - Recycling Rebates
  - Actual operating costs declined 3.7% from $57.1 Million in FY 2014 to $55.0 Million in FY 2015
- **Bolster Funding for Major Maintenance**
- **Challenge of Declining Non Disposal Fee Revenue**
  - Non Participating Waste, Energy and Recycling Revenues
## CSWS Business Model

(Net Cost Funded by Participating Towns Subject to Opt Out Tip Fee)

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
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<tbody>
<tr>
<td>Reserve Contributions</td>
<td>$7,086,500</td>
<td>$10,401,000</td>
<td>$9,452,004</td>
<td>$10,320,705</td>
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<tr>
<td>Operating Expense</td>
<td>$58,293,000</td>
<td>$57,075,000</td>
<td>$58,750,386</td>
<td>$58,315,389</td>
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<tr>
<td>Non Disposal Fee Revenue</td>
<td>$40,964,000</td>
<td>$43,570,720</td>
<td>$43,471,600</td>
<td>$38,902,873</td>
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<tr>
<td>Net Cost Funded by Participating Towns</td>
<td>$24,415,500</td>
<td>$23,905,280</td>
<td>$24,730,790</td>
<td>$29,733,221</td>
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</tbody>
</table>

Operating Expense plus Reserve Contributions equals Total Cost of Operation. Deduct Non Disposal Fee Revenue to Determine Net Cost Funded by Participating Towns.
BALANCED APPROACH TO FINANCIAL SELF SUFFICIENCY

- Property Division
  - Cost Containment
  - Revenue Enhancement
    - Energy Products
    - Surplus Property Sales
  - Essential Reserve Fund Contributions
  - Income to CSWS Tip Fee Stabilization
  - Jets Sustainability Challenge

- Landfill Division
  - Transfer of Post Closure Care Obligations
  - Retained Ownership of Landfills
  - Transfer / Retention of Landfill Reserve Funds
  - Hartford Landfill Solar Project
  - Division Reserves
  - Self Sustaining Division

Allocate MIRA’s general administrative expenses across all projects. Establish CSWS tip fees within contractual opt outs with support from Property Division. Maintain Landfill Division as financially self sustaining. Transition out of other projects without impact to CSWS, Property Division or Landfill Division ultimately leading to distribution of additional Board - declared surplus funds.
FY 2017 ADOPTED BUDGETS

Authority General Administrative Expense Budget:
- Personnel Services - $4,746,503
- Non Personnel Services - $1,263,123
- Total Expenses to Allocate - $6,009,626
- Allocated to CSWS - $4,857,618
- Allocated to Property Division - $763,346
- Allocated to Landfill Division - $135,763
- Allocated to Transitioning (Mid Ct.) - $252,899
- Total Allocated - $6,009,626

Property Division
- Total Operating Revenue - $7,334,648
- Total Operating Expense - $3,612,030
- Operating Income - $3,722,618
- Distributed to Improvement Fund - $950,000
- Distributed to Tip Fee Stabilization Fund - $2,772,618
- Total Income Distributions - $3,722,618
FY 2017 ADOPTED BUDGETS

- **Connecticut Solid Waste System Budget:**
  - Operating Expense - $58,315,389
  - Reserve Contribution - $10,320,705
  - Total Cost of Operation - $68,636,094
  - Non Disposal Fee Revenue - $(38,902,873)
  - Net Cost of Operation - $29,733,221
  - Add: Cost of Service Discounts – $413,000
  - Deduct: Deficit Funded by Tip Fee Stabilization Fund – $(5,165,221)
  - Total Rate Base - $24,981,000
  - Participating Town Waste (Aggregate Tons) – 378,500
  - Uniform Base Disposal Fee Per Ton - $66.00

- **Landfill Division**
  - Total Operating Revenue - $242,080
  - Use of Reserve - $12,322
  - Total Operating Expense - $(254,830)
  - Operating Income - $0
OUR RESPONSE TO KEY CHALLENGES

- Increased Reliance on “Non Disposal Fee Revenue” challenges MIRA’s ability to set CSWS Tip Fees at or below Municipal Service Agreement Opt Out Levels:
  - MIRA General Administrative Expenses Reduced
  - Optimize Income Within Property Division
  - Create and Use Tip Fee Stabilization Fund within Property Division
  - Minimize Growth in CSWS Cost of Operation
  - Optimize CSWS Non Disposal Fee Revenue
    - Energy Production, Pricing and Revenue
    - Non Participating Waste, Pricing and Revenue
    - Recycling Deliveries, Pricing, Revenue and Rebates
  - Fully Fund Plant Major Maintenance Requirements
  - Maintain Landfill Division as Self Sustaining
  - Establish CSWS Tip Fees at or Below Opt Out

- Fulfill Commitment to Operate CSWS through June 30, 2024 Representing Window for Redevelopment under “Resource Rediscovery”
CSWS ENERGY

- CSWS energy production has been in decline (56,365 Mwh or 15% from FY 2011 to FY 2015).

- MIRA has and is undertaking major overhaul work to address this decline.

- The price MIRA receives for its CSWS power has also been in decline ($25.86 / Mwh or 34% from FY 2011 to FY 2015).

- MIRA has and is undertaking efforts to contract fixed prices at feasible levels.

- Price and production have significantly impacted CSWS energy revenue ($12.8 million or 44% from FY 2011 to FY 2015).
CSWS has increasingly relied on “Non-Participating” Waste to fully utilize plant capacity. Non-Participating Waste represents deliveries not priced at Municipal Service Agreement tier levels.

- Non-Participating Waste deliveries have been increasing (52,844 tons or 80% from FY 2011 to FY 2015).
- Tip fees for Non-Participating Waste have been declining ($7.95 per ton or 14% from FY 2011 to FY 2015).
- Deliveries and tip fees combine to produce an increase in revenue from Non-Participating Waste ($2.0 million or 54% from FY 2011 to FY 2015).
- Non-Participating Waste is defined as Non Disposal Fee Revenue in the CSWS Business Model.
- Increased reliance on lower priced waste puts pressure on municipal tip fees (which are capped). This in turn causes increased reliance on the CSWS Tip Fee Stabilization Fund.
- MIRA is taking steps to reduce reliance on Non Participating Waste and increase the price it receives for the deliveries that are required.
CSWS RECYCLING

- CSWS recycling deliveries have been in decline (27,356 tons or 30% from FY 2011 to FY 2015). There is a rebound in deliveries in FY 2016.

- The yield MIRA receives for its recycled material (total revenue per ton) has also been in decline ($12.05 per ton or 38% from FY 2011 to FY 2015).

- Deliveries and yield have significantly impacted CSWS recycling revenue ($1.6 million or 56% from FY 2011 to FY 2015).

- Underlying factors for this decline include:
  - MIRA’s evolution from the Bridgeport, Southwest and MidConn projects.
  - Recent / steep decline in recycling commodity sales markets.
  - Change in contract operation of recycling facility.

- Challenges MIRA’s Ability to Pay Recycling Rebates.
LOOKING FORWARD

- MIRA’s Financial Structure will Continue to Evolve
  - Education
  - Southeast Project
  - Mid Ct. Project
  - CSWS and “Resource Rediscovery”

- MIRA Will Maintain a Balanced Approach to Financial Self Sufficiency
  - CSWS Major Contracts:
    - CSWS Tier 1 Short Term Customers
    - Transfer Station Operations
    - Ash Disposal
  - Property Division (Jets) Sustainability:
    - ISO Capacity Supply Obligations
    - DEEP Regulatory Changes and New Trading Order
    - Continued Acquisition of DERCs
    - Plan B Sale of Assets
DEEP’S IMPLEMENTATION OF PA 14-94

Resource Rediscovery

- DEEP’s RFP Process to Redevelop CSWS (Result of Public Act 14-94)
  - Issued November 2015 with Responses Due March 2016
  - Anticipated Shortlist of Finalists May 2016
  - Phase Two Final Proposals Expected November 2016
  - Statutory Deadline for DEEP Selection and Direction to MIRA to Enter an Agreement is December 31, 2017
  - Current Status, Selection Criteria and MIRA Participation

Comprehensive Materials Management Strategy

- DEEP’s Process to Revise the State-Wide Solid Waste Management Plan (Result of Public Act 14-94)
  - To be Adopted by July 1, 2016 with Goal of 60% Diversion by 2024
  - Proposes Municipal Recycling Rate Target of 25% by 2018; 40% by 2024
  - DEEP Evaluates Sufficiency of Municipal Recycling Systems/Programs
  - Sets Standards, Including Unit Based Pricing (i.e., PAYT)
  - Enforcement Program for Municipalities Showing Insufficient Progress
  - Appears to Expand Role of MIRA in state-wide Solid Waste Management Activities