

**Finance Committee
Mar. 19, 2015
Draft Minutes**

Members Present: Chairman Joel Freedman
Jim Hayden
Andy Nunn (via telephone at 10:47 a.m. until 12:18 p.m.)
Scott Shanley

MIRA Staff Present: Tom Kirk, President
Mark Daley, Chief Financial Officer
Peter Egan, Director of Operations and Environmental Affairs
Jeffrey Duvall, Director of Budgets and Forecasting
Thomas Gaffey, Enforcement and Recycling Director
Laurie Hunt, Director of Legal Services
Deepa Krishna, Manager of Accounting and Financial Budgeting
Tina Mateo, Assistant Director of Budgets and Cash Management
Moirra Kenney, HR Specialist/Board Administrator

Others Present: Jim Sandler, Esq.

PUBLIC COMMENT

Chairman Freedman called the meeting to order at 10:30 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. 11, 2015, Regular Finance Committee Meeting

Chairman Freedman requested a motion to accept the minutes of the Feb. 11, 2015, Finance Committee meeting. The motion to approve the minutes was made by Director Hayden and seconded by Director Shanley.

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

2. Discussion of Facility - Allocated Net Cost of Operation

Mr. Daley said the Board had posed questions to management regarding the incremental cost of incorporating the transfer stations into the CSWS. He said after examining the business model as applied in the FY'16 budget it became apparent that most of the line items are very reasonably attributed to either element of the system on the basis of how it is budgeted.

Mr. Daley said management looked at the operations and maintenance cost (NAES cost) for the plant itself and how much of that cost should be borne on the transfer station side and how much should be on the plant itself in three ways. Firstly, that the cost to operate and maintain the RRF is fully proportionate (ton for ton) to the incremental waste brought in from the transfer stations. From this

perspective, it can be concluded that incorporation of the transfer stations into the CSWS adds \$9.93 per ton to the Uniform Base Disposal Fee.

Secondly, that only a portion of the costs to operate and maintain the RRF are proportionate to the incremental waste brought in from the transfer stations. From this perspective, it can be concluded that incorporation of the transfer stations into the CSWS offsets the Uniform Base Disposal Fee by \$15.45 per ton.

Thirdly, that the cost to operate and maintain the RRF is fixed regardless of the incremental waste brought in from the transfer stations. From this perspective, it can be concluded that incorporation of the transfer stations into the CSWS offsets the Uniform Base Disposal Fee by \$37.71 per ton.

After discussion on the options the Committee agreed that these allocations would be brought to the full Board for further discussion.

3. Update of Ongoing Planning Efforts (Jets Sustainability & Long Term Financial Plan)

Mr. Daley discussed an analysis focusing on four forecast periods concerning the jets. He said the existing trading order is for 2 years, for FY'16 and FY'17, the period of incurred obligations from ISO with capacity payments awarded is for FY'16, FY'17, FY'18 and FY'19. Mr. Daley said the CT DEEP is introducing potential changes and alternatives as to how compliance is achieved and the current proposals indicate that the phase compliance covers FY'20 and FY'21 extending the expiration date with a 4 year phased compliance period. He explained there is a written proposal with no details and there will not be a commitment until Jan. of 2017. Mr. Daley said the fourth period includes future ISO capacity supply obligations and will address forecast capacity payments through the end of the ten year plan, should MIRA elect to stay in the capacity market.

Mr. Daley said there are two scenarios up for consideration, retrofitting the jets or not. Mr. Daley said if MIRA does retrofit the jets there are four years of known capacity payments with two years dependent on the permitting process of the jets retrofit. He said there are then five speculative years where the capacity payments are unknown. Mr. Daley said if MIRA decides to invest in the jets it would do so in order to alleviate the trading order requirement.

Mr. Daley said if MIRA does not invest in the jets and waits until January of 2017, between now and then there are two more ISO auctions during which MIRA will become further obligated to provide energy. He said MIRA can opt not to invest and retire the jets but in that case it may be leaving millions of dollars on the table. Mr. Daley said management is going to create a cash flow analysis for each forecast period and scenario so as to identify and quantify all areas of speculation associated with this decision.

After substantial discussion it was determined that this item would go to the full Board for further consideration.

Mr. Daley said concerning the ten year financial plan update; management is proposing to include a review of the original plan objectives going forward to see if anything needs to be updated. He said MIRA initially budgeted to remain self-sufficient through June 30, 2024, to maintain and enhance the

pricing structure, and to keep tip fees at or below the opt-out. He said in addition the budget encompasses fully funding major maintenance needed to maintain the plant till the end of plan, assessing self-sufficiency with reasonable estimates of electrical prices and implementing a balanced approach to maintaining financial self-sufficiency.

Mr. Daley said performance comparisons will be also included in the update. He said for example in the FY 2016 budget MIRA will be \$1.6 million below the net cost of operations originally estimated in the ten year plan for FY'16 and about \$470,000 of that savings is from improvements to the Authority budget as well as direct and indirect personnel services from the CSWS Project. Mr. Daley said some adaptations to evaluate in the update are that the plan was developed before public act 1494, so it did not take into consideration the mandate to redevelop CSWS and transition out of statewide education. He said in addition the landfill transfer further affects the plan. He said the bond program included in the original plan was challenged by contract terms which would make it difficult to get a SCARF in place. Mr. Daley said in addition management assumed the jets would retire in 2017 and that may also need to be reviewed; lastly the tip fee stabilization fund was also not included in the original ten year plan.

4. Review and Recommend for Board Approval – Fiscal Year 2016 Landfill Division Operating and Capital Budget

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Shanley and seconded by Director Hayden.

RESOLVED: That the Fiscal Year 2016 Landfill Division Operating Budget attached be adopted substantially in the form as presented and discussed at this meeting.

Mr. Daley said this is a relatively small budget with \$250,000 in revenues and expenses. He said the revenue piece is essentially the share of revenue under the solar panels and reflects what is currently proposed with MIRA and the City of Hartford and is not a signed agreement yet. Mr. Daley said the largest expenses for the landfill division are insurance (with pollution legal liability, general liability and a small amount of property insurance for the solar panels). He said a small amount of the expenses is the income share to the City of Hartford.

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

5. Review and Recommend for Board Approval – Draft Resolution Authorizing Temporary Services for Property Division

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Hayden and seconded by Director Shanley.

RESOLVED: That the President is hereby authorized to engage Staffing Now (a division of SNI Companies) to provide temporary staffing services at the MIRA Trash Museum under contract number 130103 that commenced on July 1, 2012 and will terminate on June 30, 2015.

Mr. Gaffey said this resolution is very straightforward. He said a temporary employee has been on board for several months at the museum. He said the position is funded under the temporary staffing

service and that funding runs until March however, the museum is quickly approaching its busiest time of year and in order to meet that demand it is necessary to keep this temporary staffing person until the end of the fiscal year.

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

6. Informational

Mr. Kirk said pricing and production have been good and the plant is running well. He said that MIRA is prepping for a scheduled outage.

7. Motion to Add Two Items to the Agenda

Chairman Freedman requested a motion to add to items to the agenda concerning a resolution regarding three year agreements for independent auditing services and a resolution regarding transfer and closure of the Enron litigation reserve.

Director Shanley made the motion, which was seconded by Director Hayden. The motion previously made and seconded was approved unanimously by roll call.

EXECUTIVE SESSION

Chairman Freedman requested a motion to enter into Executive Session. The motion was made by Director Shanley and seconded by Director Hayden. The motion previously made and seconded was approved unanimously by roll call. Chairman Freedman requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Mark Daley
Peter Egan
Laurie Hunt

The Executive Session commenced at 10:45 a.m. and concluded at 12:18 p.m.

The meeting was reconvened at 12:18 p.m. The door was opened, and the Board Secretary and all members of the public (of which there were none) were invited back in for the continuation of public session.

8. Review and Recommend for Board Approval – Resolution Regarding 3-Year Agreements for Independent Auditing Services

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Shanley and seconded by Director Hayden.

RESOLVED: That the President is hereby authorized to execute an agreement with Mahoney Sabol & Company, LLP for Independent Auditing Services, the scope of work for which will include both

the fixed fee Annual Independent Audit for fiscal years 2015, 2016, and 2017; and additional on-call auditing work, substantially as presented and discussed at this meeting.

FURTHER RESOLVED: That the President is hereby authorized to execute agreements with the following firms for On-Call Independent Auditing Services, the scope of work for which will include the additional on-call auditing work, but not the annual independent audit, substantially as presented and discussed at this meeting:

- Marcum, LLP
- Sax/BST

Mr. Daley said the recommendation before the Committee is for an agreement with the firm of Mahoney Sabol & Company, LLP for Independent Auditing Services for the next three fiscal years. He said the recommendation is based on both price and experience. He said in addition management is recommending adding two firms to the stable for potential task based assignments for auditing purposes and those firms are Marcum, LLP and Sax/BST.

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

9. Review and Recommend for Board Approval – Resolution Regarding Transfer and Closure of the Enron Litigation Reserve

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Shanley and seconded by Director Hayden.

WHEREAS, on October 25, 2007 this Board of Directors (the “Board”) established a reserve in a Treasurer’s Short Term Investment Fund (“STIF”) account for the purpose of funding expenses related to continuing legal fees associated with pursuing settlements of Enron related matters; and

WHEREAS, on October 25, 2012 this Board assigned the Enron Litigation Reserve to the Authority’s Property Division as part of the transition from the Mid-Connecticut Project to CSWS, which resolution is attached hereto; and

WHEREAS, the Authority does not anticipate needing additional funding for the activities related to pursuing additional Enron related settlements; and

WHEREAS, all outstanding invoices related to these activities have been remitted and the Enron Litigation Reserve maintains a balance; and

WHEREAS, this Board desires to reduce the quantity and complexity of the Authority’s accounts in order to promote transparency.

NOW THEREFORE, be it

RESOLVED: That the funds in the Enron Litigation Reserve be transferred to the Property Division General Fund and the Enron Litigation Reserve be dissolved and its corresponding STIF account be closed.

Mr. Daley said this resolution will close the Enron Litigation reserve and those funds will be transferred to the Property Division General Fund. He said there is roughly \$400,000 in that reserve and there is limited potential for the need to continue work on Enron litigation purposes.

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

ADJOURNMENT

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

The meeting was adjourned at 12:21 p.m.

Respectfully submitted,

Moira Kenney
HR Specialist/Board Administrator