

**Finance Committee
Sept. 16, 2015
Draft Minutes**

Members Present: Chairman Donald Stein (present by telephone)
Committee Chairman Freedman
Jim Hayden
Scott Shanley

MIRA Staff Present: Tom Kirk, President
Mark Daley, Chief Financial Officer
Jeffrey Duvall, Director of Budgets and Forecasting
Peter Egan, Director of Operations and Environmental Affairs
Laurie Hunt, Director of Legal Services
Deepa Krishna, Manager of Accounting and Financial Reporting
Moirra Kenney, Assistant HR Manager/Board Administrator

Others Present: Jennifer Hawkins and Mike VanDeventer of MahoneySabol, LLP;
John Pizzimenti, USA Hauling; Jim Sandler, Esq. Sandler & Mara;
Edward Spinella, Esq.

PUBLIC COMMENT

Committee Chairman Freedman called the meeting to order at 9:00 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 July 16, 2015, Regular Finance Committee Meeting

Committee Chairman Freedman requested a motion to accept the minutes of the July 16, 2015, Finance Committee meeting. The motion to approve the minutes was made by Director Shanley and seconded by Director Hayden.

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

2. Review and Recommend for Board Approval – Resolution Adopting and Approving MIRA’s Annual Independent Audit for Fiscal year 2015

Committee 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 Board hereby accepts the Annual financial report for the Fiscal Year Ending June 30, 2015, substantially as discussed and presented at this meeting.

Mike Vandeventer, a partner of MahoneySabol, gave the Finance Committee a presentation on the audit, which is attached as “Exhibit A”. He noted that Jennifer Hawkins, the concurrent partner on the audit was also present for questions.

Mr. Vandeventer noted that no significant issues were identified during the audit of the Finance statements. He said in terms of outstanding items the receipt of the external legal letters is still ongoing, an update of subsequent events may still needed, sign offs of the management representation letter is required, and the CAFR review needs to take place later in December after the audit is finalized.

Mr. Vandeventer said MahoneySabol plans to issues an unmodified clean opinion on MIRA’s financial statements which mean the firm is not aware of any internal misstatements.

Mr. Daley said the draft Management Discussion and Analysis was sent out on Sept. 9, 2015, and only very minor changes were made since that draft was issued. He said the MD&A is starting to reflect the reshaping of CRRA into MIRA, and demonstrates the affect of volatile energy markets in which it participates. He said changes in the Southwest Division and the end of SWEROC are reflected, Wallingford funds were mostly distributed, landfill funds were consolidated into one fund, and the Mid-Conn Project also continues to wind down. He said there have been wild swings in the energy market MIRA relies on. This year energy revenue was \$10 million less than the previous year.

Mr. Daley said in terms of economic factors reliance on the wholesale energy market is the biggest challenge MIRA faces in addition to the cap on CSWS tip fees (the opt out). He said the expiration of the trading order for the Jets also poses challenges. Mr. Daley said that the self-sustainability of the landfill division is also a challenge as MIRA is still responsible as owner of certain landfills. The M,D&A highlights how management is addressing these challenges through establishment and evolution of the Tip Fee Stabilization Fund, ongoing work to extend the life of the jets beyond the current trading order, bidding and awarding a fixed price contract for a portion of CSWS energy, and establishing revenue share arrangements for landfill solar energy that will provide for a self-sufficient division. Mr. Daley then summarized MIRA financial performance for FY 2015.

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

3. Review and Recommend for Board Approval – Resolution Authorizing Payment of a \$5.00 per Ton Recycling Rebate for CSWS Members

Committee 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, the Authority has encouraged municipalities to recycle to the maximum extent possible by not charging a tipping fee for the acceptance of recyclables at the Authority’s regional recycling facilities since commencing operations; and

WHEREAS, the Board of Directors adopted the Fiscal Year 2015 Connecticut Solid Waste System Budget anticipating that a rebate of \$10.00 per ton of acceptable recyclables delivered from member municipalities would be possible; and

WHEREAS, applicable CSWS MSA provisions provide for a rebate of surplus funds derived from CSWS recycling operations and relieve Tier 1 customers of recycling commitments in the event a \$10.00 per ton rebate is not provided; and

WHEREAS, the Connecticut Solid Waste System operations only generated sufficient revenues to rebate \$5.00 per ton delivered by the municipalities and therefore the Authority reduce the budgeted rebate expenditure from \$10.00 per ton to \$5.00 per ton; and

WHEREAS, the Authority has accrued sufficient funds for such a rebate and the Fiscal Year 2015 audit has been performed and the auditors have confirmed that the funds are accrued and available.

NOW THEREFORE, be it

RESOLVED: That the Board of Directors approves the use of \$218,772.45 to provide a \$5.00 per ton rebate to the Connecticut Solid Waste System municipalities with contractual recycling commitments based on their pro-rata share of acceptable recycling tonnage delivered to the CSWS Regional Recycling Center system during Fiscal Year 2015 as shown on Exhibit A.

Mr. Kirk said the \$5.00 rebate proposed by management can certainly be discussed and requires the consensus of the full Board. Mr. Daley said MIRA has a contractual obligation to pay a rebate if the recycling operation shows a surplus. He said aside from that obligation the base contract contains a supplemental letter agreement that if MIRA does not provide a rebate of \$10.00 the recycling towns have an option to terminate their contract with respect to recycling commitments. Mr. Daley said the surplus was not sufficient for a \$10.00 rebate however the Board agreed that a \$5.00 rebate was possible and the \$5 rebate was accrued in the FY 2015 audit as discussed at previous meetings.

Director Shanley noted that the recycling market is depressed country wide. He suggested sending the rebate with a communication informing the member towns that the market is substantially depressed from years past and may not be possible in the future.

Director Hayden asked what the total cost of the rebate will be. Mr. Daley replied around \$218,000.

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

4. Review and Recommend for Board Approval – Resolution Authorizing FY 2016 Temporary Services for CSWS

Committee 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, the Board of Directors adopted the Fiscal Year 2016 Connecticut Solid Waste System Budget which included funding for personal services related to directly allocated personal services; and

WHEREAS, the budget contemplated all directly allocated services would be fulfilled by regular MIRA employees; and

WHEREAS, the Authority currently does not have the budgeted compliment of permanent employees to meet its CSWS scalehouse/enforcement needs and now needs to employee temporary services within the CSWS budget; and

WHEREAS, the Board must approve unbudgeted expense accounts that exceed \$5,000 annually; and

WHEREAS, the Authority has sufficient funds budgeted in the CSWS personnel services account to offset these unbudgeted temporary staffing services expenses.

NOW THEREFORE, be it

RESOLVED: That the President is hereby authorized to procure temporary services for the CSWS Division in excess of \$5,000 provided that the CSWS Division's total expenses do not exceed the CSWS Division budget adopted by the Board on February 19, 2015.

Mr. Daley said management did not budget for temporary services in FY16 for CSWS. He said management has identified an employee which is out on Short Term Disability and in the interim a temporary employee must be utilized. He said this resolution establishes the account needed for those expenditures.

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

5. Discussion – Informational

Mr. Daley said the informational reports are through June 2015 and do reflect the audit results. He said there are a few minor changes to the reconciliation sheet since the draft was distributed in July however the overall report is pretty much the same as the draft report.

EXECUTIVE SESSION

Committee Chairman Freedman requested a motion to go into Executive Session for pending litigation, pending RFP responses, trade secrets, personnel matters, security matters, and feasibility estimates and evaluations. The motion was made by Director Hayden and seconded by Director Shanley. The motion was approved unanimously by roll call. Committee Chairman Freedman requested that the following person remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Mark Daley
Laurie Hunt

The Executive Session commenced at 10:40 a.m. and concluded at 12:05 p.m.

The meeting was reconvened at 12:05 p.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.

6. Review and Recommend for Board Approval – Resolution Increasing the CSWS Tip Fee Stabilization Fund and Modifying the Associated Flow of Funds Procedure

Committee 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, The Authority has previously established a tip fee stabilization fund within its Property Division intended to be drawn upon by the Connecticut Solid Waste System (CSWS) during periods of relatively low wholesale energy prices and refunded to the Property Division during periods of relatively high energy prices as a means to mitigate inflationary pressures on CSWS solid waste disposal fees; and

WHEREAS, The Authority has previously adopted procedures for the monthly flow of funds within the CSWS and Property Division that establish and govern the criteria under which funds may be drawn from, and must be refunded to, such tip fee stabilization fund; and

WHEREAS, The Authority has previously authorized and approved a maximum tip fee stabilization fund value of seven million dollars (\$7,000,000.00) which maximum value has been attained; and

WHEREAS, the combined effects of low wholesale energy prices, reduced energy production and increasing major maintenance costs associated with the CSWS have been estimated in an updated long term financial plan to necessitate increasing the maximum tip fee stabilization fund value and modifying the criteria under which such funds are drawn upon.

NOW THEREFORE, be it

RESOLVED: The Board of Directors approves the Property Division Flow of Funds procedure attached hereto as Exhibit A.

RESOLVED: The Board of Directors approves the CSWS Flow of Funds procedure attached hereto as Exhibit B.

RESOLVED: Effective with the disbursement of receipts for the period ending September 30, 2015 and continuing through and including the disbursement of receipts for the period ending June 30, 2016, the Board of Directors authorizes all Property Division receipts remaining within the Property Division Clearing Account after disbursement to the Property Division Operating STIF to be transferred directly to the CSWS Tip Fee Stabilization Fund in lieu of the Property Division general fund and the maximum tip fee stabilization fund value is hereby increased by the amount of such transfers.

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

7. Review and Recommend for Board Approval – Resolution Transferring Funds from Property Division General Fund to CSWS Improvement Fund

Committee 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 March 26, 2015 this Board of Directors resolved to dissolve certain Short-Term Investment Fund (“STIF”) reserves in the amount of \$398,564 and deposit these funds into the Property Division’s General Fund; and

WHEREAS, these funds are not pledged to other activities and can be used at the discretion of the Board; and

WHEREAS, CSWS operating income has been adversely affected by lower than anticipated wholesale electric pricing, lower than anticipated production and higher than anticipated ancillary expenses related to the spring turbine outage; and

WHEREAS, this impact to budgeted income has adversely affected the rollover CSWS Improvement Funds from Fiscal Year 2015 to Fiscal Year 2016 and prevented the September and October budgeted contributions to the CSWS Improvement Fund totaling \$1,371,072; and

WHEREAS, this funding is needed to maintain the outage maintenance scheduled for this fall; and

WHEREAS, the Board desires to off-set this funding shortfall with the \$398,564 that it resolved to transfer to the Property Division General Fund on March 26, 2015.

NOW THEREFORE, be it

RESOLVED: that \$398,564 be transferred from the Property Division’s General Fund account into the CSWS Improvement Fund account as part of the approved Fiscal Year 2016 budgeted contributions into the CSWS Improvement Fund; and

FURTHER RESOLVED: that this transfer shall reduce the budgeted contributions from CSWS operating revenues by \$398,564.

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

ADJOURNMENT

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

The meeting was adjourned at 12:05 p.m.

Respectfully submitted,

Moira Kenney
Assistant HR Manager /Board Administrator