

MATERIALS INNOVATION AND RECYCLING AUTHORITY

FOUR HUNDRED AND SEVENTY-FIRST

OCT. 27, 2016

A regular meeting of the Materials Innovation and Recycling Authority Board of Directors was held on Thurs. Oct. 27, 2016, in the Board Room at 211 Murphy Rd. Hartford, CT 06103. Those present were:

Directors: Chairman Don Stein
 Vice-Chairman Dick Barlow
 John Adams
 Marilynn Cruz-Aponte (present by telephone until 10:38 a.m.)
 Ralph Eno
 Jim Hayden
 Bob Painter
 Patricia Widlitz

Present from MIRA in Hartford:

Tom Kirk, President
Mark Daley, Chief Financial Officer
Jeffrey Duvall, Director of Budgets and Forecasting
Thomas Gaffey, Director of Recycling and Enforcement
Laurie Hunt, Director of Legal Services
Roger Guzowski, Contract and Procurement Manager
Chris Shepard, Environmental Compliance Manager
Moira Kenney, Assistant HR Manager/Board Administrator

Others Present: Ann Catino, Esq., Halloran & Sage; Phillip Toohey, Esq., Lampert Toohey & Rucci, LLC, Ed Spinella, Esq., USA Hauling.

Chairman Stein called the meeting to order at 9:34 a.m. and said a quorum was present.

PUBLIC PORTION

Chairman Stein said the agenda allowed for a public portion in which the Board would accept written testimony and allow individuals to speak for a limit of three minutes.

ED SPINELLA, ESQ. ADDRESSES THE BOARD

Mr. Spinella, Esq. addressed the Board. He expressed concern regarding the procurement process employed by MIRA concerning the sale of the Stratford Facility (1410 Honeyspot Rd. Ext.). Chairman Stein thanked Mr. Spinella for his commentary and advised it would be taken into consideration.

PHILLIP TOOHEY, ESQ. ADDRESSES THE BOARD

Mr. Toohey, Esq. said he represents AMEC. He said MIRA's second bid process was a concise and detailed process which contained included a form for bidders to request exceptions to the proposed contract form. He said AMEC's offer used that exception form, proposed some modifications, and that offer was accepted. Mr. Toohey said AMEC followed the rules and did exactly what they were asked to do. He said this is the second time AMEC has completed this process and he hopes that the Board will act accordingly and follow the recommendations.

EXECUTIVE SESSION

Chairman Stein requested a motion to enter into Executive Session to discuss pending RFP responses for the Sale of Property in Stratford, CT. The motion was made by Director Adams and seconded by Director Widlitz and was approved unanimously.

Chairman Stein asked the following people to join the Directors in the Executive Session:

Tom Kirk
Mark Daley
Peter Egan
Roger Guzowski
Chris Shepard
Laurie Hunt
Ann Catino, Esq.

The Executive Session began at 10:00 a.m. and concluded at 10:22 a.m. Chairman Stein noted that no votes were taken in Executive Session.

The motion previously made and seconded to enter into Executive Session was approved unanimously by roll call. Chairman Stein, Director Adams, Director Cruz-Aponte, Director Hayden, Director Eno, Director Painter, Director Shanley and Director Widlitz voted yes. ~~What motion is this referring to? Also, you are missing the comments from AMEC attorney which should be reflected. Check the tape.~~ [TK1]

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Marilyn Cruz-Aponte	X		
John Adams	X		
Jim Hayden	X		
Ralph Eno	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		

The meeting was reconvened at 10:22 a.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.

**RESOLUTION CONCERNING THE SALE OF 1410 HONEY SPOT ROAD, EXT.
STRATFORD, CT**

Chairman Stein requested a motion on the resolution above. Director Eno made the motion which was seconded by Director Adams.

WHEREAS, the Materials Innovation and Recycling Authority (the “Authority”) has previously determined that it is in its best interest to dispose of certain surplus property including the land and buildings located at 1410 Honey Spot Road, Ext. in Stratford CT and comprising a presently vacant recycling facility (the “Property”); and

WHEREAS, the Authority has previously had and an independent appraisal of the market value of the Property conducted by a professional appraisal firm (Wellspeak Dugas & Kane) effective January 29, 2008 and prepared in conformance with the Uniform Standards of Professional Appraisal Practice; and

WHEREAS, the Authority has recently had a second independent appraisal of the current market value of the Property conducted by a professional appraisal firm (Vimini Associates) effective December 23, 2015 and prepared in conformance with the Uniform Standard of Professional Appraisal Practice and the Appraisal Institute; and

WHEREAS, management of the Authority has received and considered multiple offers to purchase the Property, and based upon the written appraisals obtained, recommends proceeding with the sale of the Property to AMEC of Norwalk CT generally in accordance with the terms of their offer dated October 14, 2016.

NOW, THEREFORE, BE IT:

RESOLVED: That the President is authorized to enter into a Purchase and Sale Agreement providing for the sale of the Property to AMEC upon the terms and conditions discussed at this meeting; and

FURTHER RESOLVED, that the President is authorized to enter into a Lease Agreement providing for AMEC’s use and occupancy of the Property pending closing of the sale upon the terms and conditions discussed at this meeting; and

FURTHER RESOLVED, that the President is authorized to close the sale of the Property and deposit the net proceeds thereof, including lease payments, into the General Fund of the Authority’s Property Division.

Mr. Daley said MIRA engaged in the acceptance of offers through its broker which is consistent with the procurement policy specifically addressing the sale of property. He said management is recommending the most favorable offer in terms of price. Mr. Daley said the proposed lease agreement is not in lieu of the sale but rather pursuant to the sale as a condition of the sale agreement.

Chairman Stein said the offers would be made public after there is a signed agreement. Ms. Hunt said FIOA does not require release of details of negotiated sales until such time there is a signed agreement in place. Mr. Guzowski clarified that the AMEC referenced in the agreement is AMEC Holdings LLC.

The motion previously made and seconded was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Cruz-Aponte, Director Eno, Director Hayden, Director Painter, and Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
Marilyn Cruz-Aponte	X		
John Adams	X		
Jim Hayden	X		
Ralph Eno	X		
Bob Painter	X		
Patricia Widlitz	X		

RESOLUTION REGARDING APPROVING THE CONTRACTING OF ASH TRANSPORTATION AND DISPOSAL SERVICES FOR THE CSWS

Chairman Stein requested a motion on the resolution above. Director Adams made the motion which was seconded by Director Widlitz.

WHEREAS, MIRA owns and operates the CSWS Resource Recovery Facility located in the South Meadows section of Hartford; and

WHEREAS, MIRA requires the services of a qualified firm to dispose of ash residue from the CSWS Resource Recovery Facility at properly-permitted disposal facility(ies) (or beneficial use facility), and to oversee the safe transportation of ash residue from the CSWS Resource Recovery Facility to the disposal facility(ies)(or beneficial use facility[ies]); and

WHEREAS, MIRA has undertaken the “Competitive Process” required under its Procurement Policies and Procedures;

THEREFORE, BE IT RESOLVED, That the President is hereby authorized to execute an agreement with Wheelabrator Technologies Inc., and its wholly owned subsidiaries Wheelabrator Putnam Inc. and Wheelabrator Environmental Systems, Inc., to provide transportation and disposal services for ash residue from the CSWS Resource Recovery Facility, substantially as presented and discussed at this meeting.

Mr. Kirk said this resolution was reviewed in detail by the Policies & Procurement Committee. He said it is similar to prior contracts written for the disposal and transportation of MIRA’s ash to the Putnam landfill.

Mr. Kirk said the bid process was expanded to encompass a wide service area and diverse set of potential providers in an effort to ensure the absolute best pricing available. He said the bid was written to be flexible to allow operators to provide pass or partner for transportation services which allowed MIRA the possibility to contract separately. Mr. Kirk said the results indicated that the incumbent, Wheelabrator Environmental Systems was the best option for continued services. He said Wheelabrator is presently employed by MIRA and management has a high degree of confidence in their performance and continued services.

Mr. Kirk said there is also an option in the bid to elect the five option years in the contract and save a dollar per ton on the costs. He said that is an item the Board may wish to discuss further. Mr. Kirk said MIRA is only committed to provide the ash it generates and MIRA has no obligations beyond this in terms of volume.

Mr. Kirk said in order to ensure all of the potential providers could participate in the bid, MIRA allowed the volumes to be broken into tranches, however even with the added consideration and providing all of the ash and disposal Wheelabrator was the best choice. Director Adams said it was the consensus of the Committee to lock this agreement in long term as there are concerns that many of the facilities which accept ash may be closing or going through other changes which may cause business interruptions.

Vice-Chairman Barlow said because of potential changes down the road management ensured the contract does not have a put or pay limit so that if there are changes in ash production in the coming years MIRA will not be held to a minimum payment.

Director Widlitz noted as the radius expands transportation costs for ash increase resulting in fewer and fewer options for MIRA’s ash disposal over time. Mr. Kirk added that MIRA allows for a standard basis if an increase in the costs of fuel occurs, which is also a mitigating factor in costs. Mr. Guzowski said the base fuel price was based on a three year average and MIRA is currently enjoying the benefit of those costs although they are subject to fluctuation.

The motion previously made and seconded was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Cruz-Aponte, Director Eno, Director Hayden, Director Painter, and Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
Marilyn Cruz-Aponte	X		
John Adams	X		
Jim Hayden	X		
Ralph Eno	X		

Bob Painter	X		
Patricia Widlitz	X		

RESOLUTION REGARDING REPAIR AND UPGRADE OF THE SOLAR EGF AT THE HARTFORD LANDFILL

Chairman Stein requested a motion on the resolution above. Vice-Chairman Barlow made the motion which was seconded by Director Adams.

WHEREAS, the Authority owns and operates a Solar Electricity Generating Facility (“Solar EGF”) at the Hartford Landfill; and

WHEREAS, the Solar EGF suffered a malfunction on or about August 14, 2016; and

WHEREAS, the Authority and its I&M Contractor, E. T. & L. Corporation (“ET&L”) investigated the malfunction and discovered damage consistent with a power surge that was likely caused by a lightning strike; and

WHEREAS, the Authority’s insurer has inspected the damage and the repair estimate, and recommends the Authority proceed with repairs and the installation of additional surge protection and grounding for the Solar EGF; and

WHEREAS, the repairs are estimated to cost \$86,050 and recommended protective measures are estimated to cost \$15,000; and

NOW, THEREFORE, BE IT:

RESOLVED: That the Board of Directors authorizes the President to contract with ET&L to coordinate and pay for the required repairs and recommended protective measures substantially discussed and presented at this meeting.

Mr. Kirk said this resolution is for repairs to damage of the Solar EGF which management believes were the result of a lightning strike. He said the insurance has a \$50,000 deductible and MIRA is fast tracking the repair. Mr. Kirk said the repairs contain \$15,000 of improved grounding and lightning rods.

The motion previously made and seconded was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Cruz-Aponte, Director Eno, Director Hayden, Director Painter, and Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
Marilyn Cruz-Aponte	X		
John Adams	X		
Jim Hayden	X		

Ralph Eno	X		
Bob Painter	X		
Patricia Widlitz	X		

APPROVAL OF THE REGULAR SEPT. 22, 2016, BOARD MEETING MINUTES

Chairman Stein requested a motion to approve the minutes of the regular Sept. 22, 2016, Board Meeting. Vice-Chairman Barlow made the motion which was seconded by Director Adams.

The motion to approve the minutes was approved by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Cruz-Aponte, Director Hayden, Director Eno, Director Painter, and Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
Marilyn Cruz-Aponte	X		
John Adams	X		
Jim Hayden	X		
Ralph Eno	X		
Bob Painter	X		
Patricia Widlitz	X		

REVIEW KEY DRIVERS FOR FY 2018 OPERATING AND CAPITAL BUDGET DEVELOPMENT

Mr. Daley provided the Board with an overview of the key drivers for budget development. He said the Authority budget for FY'18 will be brought to the Board in November with the Property and Landfill budgets in December and CSWS in February. Mr. Daley said MIRA is a single project operation with the Authority budget primarily allocated to CSWS. —He said that from a financial perspective the Property division's primary object is to generate income for the tip fee stabilization fund and the landfill division's goal is to be self-sufficient.

Mr. Daley said the CSWS has shown significant budget variances in terms of deliveries, non-participating waste revenues, energy production and price for energy. He said there has been a savings in the operating expense side often as a result of those reductions in production. Mr. Daley said MIRA has been accommodating the variances by relying more heavily on the tip fee stabilization fund.

Mr. Daley said MIRA has gotten to the point where its resources do not provide the flexibility necessary to continue accommodating these significant variances. He said the Finance Committee took a more pragmatic look at how to best assess the extent to which a fiscal budget can be set which is more realistic.

Mr. Daley said the presentation shows MSW deliveries by contract type, which have declined consistently over the last three years. He noted MIRA has not met its budget in terms of deliveries for

the last three years. He said the areas which have been reduced the most significantly have been pulled back due to plant performance, such as spot. Mr. Daley said the areas which have increased are from non-participating tons which come under hauler contracts.

Mr. Kirk said spot waste demand is down is because MIRA has two other categories of waste it goes to first, the hauler waste from non-participating communities that pays \$65.00 a ton, as well as a relatively new category called interruptible waste, which is a contract to accept waste at some period of time with a put or pay, both of which are more desirable price wise. He said management would like to see improvement in tonnage throughput at the plant.

Mr. Daley said 66% of the waste coming in is under contract that expires in June 30, 2017, or is spot waste which means that MIRA is making a huge assumption heading into FY'18 that waste will remain and will continue to come in those current categories. Mr. Kirk said that 66% of the waste is from about a dozen towns with 5 year contracts, the largest of which is Harford, and the larger portion ~~of~~ tons of tons are from private haulers with short term contracts with MIRA.

Mr. Daley said energy production is on decline and MIRA has not made its energy production target in the last three years. He explained FY'15 was 62.9 million kilowatt hours under budget and in FY'16 MIRA was 31.6 million kwh below budget which is an 8% variance. More importantly Mr. Daley said pricing has also been in steep decline and in FY'15 MIRA was 4% under the budget price (or \$4 million) and FY'16 MIRA was 27% under the budget price or (\$6.8 million).

Vice-Chairman Barlow asked if it would be possible to overlay both MIRA's production and proposed energy prices. Mr. Daley said he would do so. Chairman Stein said in the near future he and other Board members will need to meet with their towns and give them a clear picture of the struggling market. Director Hayden noted that Finance addressed these same concerns. Mr. Kirk suggested a meeting in early December to communicate these challenges to the member towns.

Mr. Daley said non-participating waste has been in decline due to price and delivery volumes and was \$2.7 million under budget in FY'16 and in FY'15 MIRA was \$6.5 million under budget. He said there was a spike in FY14 in terms of revenue and delivery which was likely considered for budgets after that however those numbers and prices were never achieved again. Mr. Daley urged that budgets be based more on historical numbers going forward.

Mr. Daley said recycling is one of the more dramatic declines in terms of the yield to CSWS. He said the CSWS yield, which represents delivery and export revenue to CSWS per ton delivered to the plant, declined 55% from since FY 2011 which has been driven by the evolution of the Southwest and CSWS projects, pricing for commodities, and changes in how the recycling facility operating contract revenue share is structured.

Chairman Stein asked that management research publically traded companies to see how their financials are demonstrating the same negative trends that MIRA is experiencing in order to provide the member towns' with a more comprehensive picture of the current landscape and to demonstrate these issues are not unique to MIRA.

Mr. Daley said MIRA has offset some of the revenue reductions with savings on the expense side. He said in FY'14 there was a surplus in the expense budget of \$1.74 million, in FY'15 the surplus was \$1.5 million and this jumped to \$4 million in FY'16. He said that FY 2016 \$4 million variance mostly breaks into three categories, MIRA operational expenses of \$1.3 million, waste transportation at \$600,000 and the NAES contract operation is \$1.8 million.

Mr. Daley said the key drivers are summarized on the last page of the presentation. He said the major areas of change are highlighted and the table shows the FY'16 actuals, the FY'17 budget which was approved by the Board and where those key variances are. He said that modifications to the strategic plan are necessary to adapt to these challenges and will be reviewed in executive session.

PRESIDENT'S REPORT

Mr. Kirk said MIRA operated without environmental, public health or safety impacts in the past reporting period which ~~ran~~ until August 16, 2016. He said MIRA's revenue was \$4.9 million which is 9% below budget. Mr. Kirk said the period contained a period of unplanned cold iron outage, which is when all three boilers and turbines were off line, a result of a failed air header in the residue handling area which was complicated by an electrical interconnection problem

Mr. Kirk said availability of the boilers was fair throughout the same production period and steam production has improved from last year but is still below what management would like. He said operating expenses continue to trend well and are 10% favorable to the budget in that category partially as a result of a reduction in ash production.

Mr. Kirk said all of the power generated during the reporting period was sold into the day ahead market and beginning Sept. 1, 2016, the first 20 megawatts of MIRA's production will be sold into a contract that lasts 7 months. He explained although the 3.8 cents price was initially disappointing it proved a good deal as pricing has continued to fall.

Mr. Kirk said MIRA has sufficient fuel to operate the plant at full available capacity and expects to do so in the future. He said recycling revenues for August were favorable due primarily to MIRA's more conservative expectations. He said recycling tons continue to come in at a good pace however it is worth very little and in fact there was zero revenue share for containers in this reporting period. Mr. Kirk said this is still better than paying for disposal costs for the member towns but there is no good news in the commodities market for recyclables.

Mr. Egan said Tom Gaffey will be ~~assembling data~~ assembling data on recycling analysis for the information of the Board. Chairman Stein asked that a comprehensive look at recycling, electrical generation and waste disposal be presented to the member towns.

EXECUTIVE SESSION

Chairman Stein requested a motion to enter into Executive Session to discuss real estate matters (pending litigation, trade secrets, personnel matters, security matters, pending RFP's, pending RFP responses, real estate matters, and feasibility estimates and evaluations including Strategic Plan

updates. The motion was made by Director Painter and seconded by Director Adams and was approved unanimously.

Chairman Stein asked the following people to join the Directors in the Executive Session:

- Tom Kirk
- Mark Daley
- Peter Egan
- Roger Guzowski
- Chris Shepard
- Laurie Hunt
- Ann Catino, Esq.

The Executive Session began at 11:12 a.m. and concluded at 12:30 p.m. Chairman Stein noted that no votes were taken in Executive Session.

The motion previously made and seconded was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Eno, Director Painter, Director Shanley and Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Ralph Eno	X		
Bob Painter	X		
Patricia Widlitz	X		

The meeting was reconvened at 12:30 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.

ADJOURNMENT

Chairman Stein requested a motion to adjourn the meeting. The motion to adjourn was made by Director Adams seconded by Vice-Chairman Barlow and was approved unanimously

The motion to adjourn was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Eno, Director Painter, Director Widlitz voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		

John Adams	X		
Jim Hayden	X		
Ralph Eno	X		
Bob Painter	X		
Patricia Widlitz	X		

There being no other business to discuss, the meeting adjourned at 12:30 p.m.

Respectfully Submitted,

Moira Kenney
Assistant HR Manager/Board Administrator

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