

**Finance Committee  
Dec. 8, 2016  
Regular Draft Minutes**

Members Present by Telephone:     Committee Chairman Shanley  
   Jim Hayden  
   Andy Nunn (present by telephone)

MIRA Staff Present:                     Tom Kirk, President  
   Mark Daley, Chief Financial Officer  
   Jeffrey Duvall, Director of Budgets and Forecasting  
   Tom Gaffey, Director of Recycling and Enforcement  
   Roger Guzowski, Contract and Procurement Manager  
   Laurie Hunt, Director of Legal Services  
   Moirra Kenney, Assistant HR Manager/Board Administrator  
   Deepa Krishna, Manager of Accounting and Financial Reporting  
   Tina Mateo, Assistant Director of Budgets and Cash Management

Other Present:                             John Pizzimenti, USA Hauling

**PUBLIC COMMENT**

Committee Chairman Shanley 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 Nov. 10, 2016, Finance Committee Minutes**

Committee Chairman Shanley requested a motion to accept the minutes of the Nov. 10, 2016, Finance Committee meeting. The motion to approve the minutes was made by Director Hayden and seconded by Director Nunn.

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

**2.     Discussion of Draft FY 2018 Trash to Energy Facility O&M Budget**

Mr. Daley reviewed the draft FY'18 Trash to Energy Facility Budget. He said the budget reflects the NAES contract charges to MIRA and includes the power block and waste processing facility. Mr. Daley said there is also a small line item for MIRA facility operating expenses which are directly administrated. He said not included in the budget are the recycling facility, transfer stations, the jets and MIRA's overhead.

Committee Chairman Shanley asked if the NAES reduction in operating costs from the prior year budget have been restored in this budget. Mr. Daley said this first draft budget is what was requested by NAES and reflects a fresh look at FY 2018 independent of the prior budget amendment. Mr. Daley noted the budget was represented as providing for the processing 722,000 tons of MSW and generation of 392 million kwh of energy which is well above the facility's recent production history. He said based on the

Ten Year Financial Plan Update presented in October, NAES would be asked to adjust its budget to reflect approximately 650,000 tons and 350 million kwh. Mr. Daley said that this adjustment along with corrections identified as necessary in burden rates should bring the NAES budget much closer to the targets established in October before the full CSWS draft budget is to be presented next month. The Committee reviewed the supporting documentation which detailed the budget breakdown at length.

### **3. Review and Approve Draft FY 2018 Property Division Budget**

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

**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**, 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 Authority authorized 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 further increased the maximum tip fee stabilization fund value by the amount of such transfers, in recognition of CSWS budgetary pressures associated with declining energy output and low wholesale energy prices; and

**WHEREAS**, Effective with the disbursement of receipts for the period ending July 31, 2016 and continuing through and including the disbursement of receipts for the period ending June 30, 2017, the Board of Directors authorized all Property Division receipts remaining within the Property Division Clearing Account after disbursement to the Property Division Operating STIF and Improvement Fund to be transferred directly to the CSWS Tip Fee Stabilization Fund in lieu of the Property Division General Fund, and further increased the maximum tip fee stabilization fund value by the amount of such transfers provided that management report monthly to the Board on the status of such transfers to the tip fee stabilization fund which are not exceed three million dollars during this period without further Board authorization; and

**WHEREAS**, The Authority anticipates that declining non disposal fee revenue from energy sales, non-participating town tip fees and recycling activities will continue to put added pressure on CSWS tip fees in connection with the development of its fiscal year 2018 operating and capital budget.

**NOW THEREFORE**, be it

**RESOLVED:** That the Fiscal Year 2018 Materials Innovation and Recycling Authority Operating and Capital Budgets for the Property Division attached hereto as Exhibit A be adopted substantially in the form as presented in Exhibit B attached hereto and discussed at this meeting; and

**FURTHER RESOLVED:** That a Jets Major Maintenance Reserve be established within the State Treasurer's Short Term Investment Fund, which fund shall, subject to further Board approval, be used to provide an additional source of funding for Jets major maintenance and capital improvements not identified in the Operating and Capital Budgets; and

**FURTHER RESOLVED:** that the sum of seven hundred three thousand dollars (\$703,000) be transferred to the Jets Major Maintenance Reserve as part of the disbursement of July and August 2017 Property Division receipts; and

**FURTHER RESOLVED:** That effective with the disbursement of receipts for the period ending July 31, 2017 and continuing through and including the disbursement of receipts for the period ending June 30, 2018, the Board of Directors authorizes Property Division receipts remaining within the Property Division Clearing Account after disbursement to the Property Division Operating STIF, Improvement Fund and Jets Major Maintenance Reserve 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. Management is directed to report monthly to the Board on the status of such transfers to the Tip Fee Stabilization Fund which shall not exceed five million dollars during this period without further Board authorization.

Mr. Daley stated the structure of the resolution is the same as last year's Property Division budget resolution in its acknowledgement of the establishment and permitted use of the tip fee stabilization fund including its controls and reporting requirements. He stated that the resolution also creates a new jets major maintenance reserve which is consistent with the ten year financial plan. Mr. Daley discussed the two attachments to the resolution including the budget spreadsheet comparisons and presentation file and noted the main takeaway is that the Property Division will provide the cash flow necessary to subsidize CSWS at the level anticipated in the Ten Year Financial Plan Update presented in October. The Committee reviewed the Property Division operating revenues and expenses as well as historical and budget income. Mr. Daley elaborated on the status of jets sustainability including MIRA's capacity supply obligations to ISO New England and the status of the DEEP's phased compliance program.

Mr. Daley noted that management would be recommending a redistribution of funds among the line items shown for FY 2018 Capital Improvements and Major Maintenance when the Property Division budget moves to the full Board of Directors next week but the total recommended budget of \$1,315,000 would stay the same. He said MIRA has been exploring the option of purchasing an already refurbished jet engine instead of overhauling the spare jet engine as shown in the budget presentation. Mr. Daley said it is the same type of jet engine but the challenge facing management was whether MIRA would need to go through what is known as a New Source Review for air compliance purposes. Mr. Daley stated management very recently was advised that the New Source Review would not be required which made acquisition of the already refurbished spare jet engine very attractive relative to the budgeted cost to refurbish MIRA's existing spare.. He said the challenge is that the already refurbished jet engine which is presently on the market would need to be purchased immediately and this would require additional funds to be made available in FY 2017 to accomplish this.

Mr. Daley said in order to make a timely purchase of the spare an amendment to the FY 2017 budget would need to be brought to the Board providing for the transfer of \$422,000 from the Property Division General Fund to the Improvement Fund and that the proposed distribution of the FY 2018 capital improvement budget would be changed to include reimbursement of \$422,000 to the General Fund in FY 2018. He said this FY 2017 amendment and transfer would also provide funds needed for emerging maintenance requirements on other units. The net effect of this in the FY 2018 budget included in the Finance Committee package would be to delete \$750,000 in funding to repair the spare jet engine, add a line to refund \$422,000 to the Property Division General Fund, and to change the proposed transfer to the Jets Major Maintenance Reserve from \$375,000 to \$703,000, which would be included in the first two FY 2018 disbursements of Property Division income. The Committee discussed the pros and cons of proceeding with this acquisition with Mr. Kirk, Mr. Daley and Mr. Egan. Committee Chairman Shanley asked how MIRA will come up with \$500,000 this fiscal year without compromising this fiscal year. Mr. Daley explained the funds will come from the property division general fund. He said if funds were needed farther down the road there are areas of capacity which can be drawn down.

Director Hayden made a friendly amendment to make the changes discussed in the above paragraphs. The Committee agreed to the amendment.

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

#### **4. Review and Approve Draft FY 2018 Landfill Division Budget**

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

**RESOLVED:** That the Fiscal Year 2018 Landfill Division Operating Budget attached hereto as Exhibit A be adopted substantially in the form as presented and discussed at this meeting.

Mr. Daley said management is requesting \$402,000 of revenue for this budget which does include use of reserves of \$159,000 with the rest in the electric sharing arrangement with the City of Hartford. He said the use of reserves is larger than usual because the three year pollution legal liability policy is coming up which will be renewed and paid for in the fiscal year's budget.

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

#### **5. Discussion – Informational**

Mr. Daley reviewed the informational reports with the Committee. He said the total CSWS revenues for October are 18% below budget. He said the shortfall is due to depressed electric prices and production. He said production was impacted by several outages at the plant which ran at full capacity for 8 out of 31 days. Committee Chairman Shanley asked if the actual percentages of lost time at the plant should be applied for next year's budget. Mr. Egan said the gross amount of fuel projected to burn and number of kilowatt hours projected to be generated were reduced accordingly.

Mr. Daley said that MSW delivery volume by contract type combined to produce total solid waste delivery revenue that is 6.5% below budget year to date. He said the recycling facility revenues are 66% above budget for October. He said exported tons and the CSWS yield per ton of ONP and OCC were

both substantially above budget. Mr. Daley said metal sales continue to be depressed and the average price per ton in October was 59% below budget.

Mr. Daley said the property division was 11% below budget primarily due to inactivity in the reserve markets with operating expenses 22% below budget due to savings in jets operating charges. The total Property Division income is 81% above budget year to date.

Mr. Daley said with regards to the cash flow a \$236,762 distribution was made to the Tip Fee Stabilization fund in October. He said year to date distributions to this fund were \$2,129,578 in comparison to the maximum authorized distribution of \$3.0 million. Mr. Daley said CSWS cash receipts resulted in further draws from the tip fee stabilization fund.

### **EXECUTIVE SESSION**

Committee Chairman Shanley requested a motion to go into Executive Session to discuss pending litigation and 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 Nunn. The motion was approved unanimously by roll call. Committee Chairman Shanley requested that the following people remain for the Executive Session in addition to the Committee members:

Peter Egan  
Laurie Hunt  
Mark Daley  
Tom Kirk

The Executive Session commenced at 12:30 p.m. and concluded at 12:40 a.m.

The meeting was reconvened at 12:40 a.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.

### **ADJOURNMENT**

Committee Chairman Shanley requested a motion to adjourn the meeting, which was made by Director Hayden and seconded by Director Nunn.

The meeting was adjourned at 12:41 p.m.

Respectfully submitted,

Moira Kenney  
Assistant HR Manager /Board Administrator