

**Finance Committee  
September 14, 2017  
Regular Draft Minutes**

Members Present:

Committee Vice-Chairman Jim Hayden  
Lizz Milardo

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  
Laurie Hunt, Director of Legal Services  
Deepa Krishna, Manager of Accounting and Financial  
Reporting  
Thomas Gaffey, Director of Enforcement/Recycling  
Thomas Edstrom, Risk Manager  
Kanchan Arora, General Accountant/Board Administrator

Public Present:

Amanda Burley, Assistant Account Executive; Kyle Strand,  
Senior Vice President; Susan Garrad, Senior Vice  
President; Megan Miller, Managing Director and Mary  
Walker Leighton, Assistant Vice-President of Beecher  
Carlson.

Michael Vandeventer, CPA, Partner of Mahoney Sabol  
Ed Spinella, Esq. USA Hauling.

**PUBLIC COMMENT**

Committee Vice-Chairman Hayden called the meeting to order at 10:33 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 20, 2017, Finance Committee Meeting**

Director Milardo requested a motion to accept the minutes of the July 20, 2017 Finance Committee meeting. The motion to approve the minutes was made by Director Milardo and seconded by Committee Vice-Chairman Hayden.

The motion to accept the minutes was approved. Director Milardo abstained.

## **2. Review and Approve- Resolution Authorizing the Renewal of Pollution Legal Liability Insurance for the Authority.**

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

**Resolved:** That the MIRA Board authorizes President Kirk to purchase the Pollution Legal Liability from CHUBB in the amount and with the limit recommended by MIRA's broker and as presented and discussed in this meeting.

Mr. Daley said Mr. Edstrom and MIRA's broker Beecher Carlson did a great job on the renewal of Pollution Legal Liability Insurance policy and thanked them for their hard work and good results.

Ms. Leighton, Representative from Beecher Carlson, informed the Committee that the Pollution Legal Liability Insurance policy is coming to end in October 2017. Beecher Carlson discussed with MIRA different options most suitable for its needs. This is Beecher Carlson's first marketing of this policy; they were able to do fully marketing and get reductions in the premium.

Ms. Leighton informed the Committee that she will be our day to day contact, introduced Amanda Burley and Kyle Strand, part of the pollution team, and Megan Miller, who is the Account Executive taking over for Fred Wass.

Ms. Burley, Representative from Beecher Carlson, said Beecher Carlson reached out to a number of carriers to solicit quotes, including new and current carriers; CHUBB came in with the best pricing and best term. Ms. Burley reviewed the renewal proposal with the Board which includes all the covered locations, divested properties and description of the facilities. She said the only difference compared to the expiring policy is CHUBB's policy form changed. All the terms and conditions remain the same as expiring; the only difference is that some of the coverages that were endorsed on the policy are now built into the policy form, for instance, Premises Pollution Conditions or Indoor Environmental Coverage, Transportation Coverage, and Non-Owned Disposal Coverage. CHUBB's intent was to keep everything the same as the expiring policy.

Ms. Burley said Beecher Carlson received three limits of liability options. MIRA's current policy has a \$40 million limit, with a \$250,000 deductible. Beecher Carlson recommends a \$20 million option for this policy's term.

Committee Vice-Chairman Hayden asked why it is that we are comfortable with a \$20 million dollar option. Ms. Burley, Representative from Beecher Carlson, informed the Committee that MIRA's exposure has changed. MIRA has gone from having 18 to 13 covered location (with a corresponding increase in divested locations), which reduced our exposure. Therefore, Beecher Carlson recommends that we choose the \$20 million dollar option.

Mr. Egan added since DEEP has taken over responsibility for the landfills, in particular the environmental control systems and specifically the landfill gas collection control systems, and since the Southeast project now carries insurance for the Montville landfill, MIRA doesn't feel the need to purchase additional insurance. Since responsibility for the landfills has been transferred to the State of Connecticut, Mr. Egan thinks that the \$20 million option is appropriate for MIRA.

Ms. Burley also reviewed the Endorsements & Premium Summary with the Committee. The net premium on the expiring policy is \$585,276 with a \$40 million limit; on the renewal policy it will be \$255,154 with a \$20 million limit prorated to July 1st, 2020 to match up with the rest of MIRA's insurance program. Terrorism coverage is optional, and Beecher Carlson recommends that MIRA reject the option as it did with the rest of insurance program in July. There is also no brokerage commission included.

Committee Vice-Chairman Hayden asked if Beecher Carlson can provide an explanation of why they would be comfortable rejecting the Terrorism Coverage. The representative from Beecher Carlson said it has to be a terrorism event certified by Homeland Security and has to be related to that loss. The company has to have at least \$5 million in losses per event. The thresholds are so high that they have never been met to date.

Mr. Daley said Beecher Carlson has done a great job and the decrease in the premium will certainly help MIRA and he is comfortable with the \$250,000 retention considering the reserves MIRA has in the Landfill division.

Mr. Kirk asked Beecher to explain how we plan to manage a claim where we have dual responsibility. For example, the Truck Wash Facility is not owned by MIRA but MIRA has legacy responsibility. Mr. Strand, representative from Beecher Carlson, said if it's a third party suit, everyone is involved and dually responsible.

The motion previously made and seconded was approved unanimously.

#### **4. Review and Approve- Draft resolution accepting the Authority's Fiscal Year 2017 Annual Financial Report.**

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

**Resolved:** That the Board of Directors hereby accepts the Fiscal Year 2017 Annual Financial Report as discussed and presented in this meeting.

Mr. Daley reviewed the Audit report status with the Committee. He said the Annual Financial Report is essentially complete absent the signed opinion letters which we will have once we have completed the legal contingency notes, which are still being prepared by the attorneys. He said once completed the audit will be submitted to the State and to the Directors and not to expect anything to change on the final numbers. Mr. Daley thanked Deepa Krishna

and her team and Michael VanDeventer and his team from Mahoney Sabol for all their hard work. He said the Financial Statements and all the tables are on a consolidated basis. The Board is normally used to seeing targeted budget vs actual numbers on CSWS and Property Division. However at this stage of the year; the audited financial statements reflect consolidated financial performance for Fiscal year 2017 and MIRA's financial position as of June 30, 2017. There is supplementary information attached that provides a breakdown by project and division.

Mr. Daley reviewed the consolidated performance for Fiscal Year 2017 with the Committee. He said MIRA generated total operating revenue of \$63.43 million and incurred \$58.96 million in operating expenses before depreciation resulting in operating income before depreciation of \$4.47 million. After deducting our depreciation and amortization expenses of \$22.64 million, MIRA incurred an operating loss of \$18.17 million. MIRA also earned net non-operating revenue of \$2.71 million resulting in a total reduction in its net position of \$15.46 million for FY 17. The operating revenue of \$63 million reflects almost a \$20 million reduction from last year which is primarily associated with the closeout of the Southeast project. The Southeast project closed in fiscal year 2016 and went to \$0 revenue for fiscal year 2017. Mr. Daley said CSWS operating revenue reduced by \$1.7 million from fiscal year 2016.

With regards to operating expenses of \$58.96 million, he said that reflects a \$20.5 million reduction from fiscal year 2016. This decline was also primarily associated with closing of the Southeast project. The southeast project expenses were reduced by \$23.9 million, which offset an increase in CSWS expenses of \$3.3 million.

Mr. Daley said our operating income before depreciation increased from \$3.9 million in fiscal year 2016 to \$4.5 million in fiscal year 2017 due to the decrease in revenue being offset by a larger decrease in expense. He said depreciation and amortization expenses totaled \$22.64 million which reflects a large increase from last year of \$3.2 million (17%). The bulk of our depreciation is on the Resource Recovery Facility in Hartford and the useful life of that is ending June 30, 2019. Major maintenance activity on the Resource Recovery Facility no longer extends its useful life, so each year that activity is amortized over a shorter period of time and MIRA will see those expenses ramp up in the next several years.

The operating loss of \$18.17 Million reflects an increase of \$2.67 million from last year's loss of \$15.5 million. On a consolidated basis it is largely due to an increase in the depreciation. Net non-operating revenue of \$2.71 million reflects an increase of \$4.5 million from last year's net non-operating expense due to our gain on the sale of the Stratford Recycling Facility. The reduction in net position of \$15.5 million reflects a \$1.8 million reduction from last year's reduction in Net position of \$17.3 million due to the increase in income. MIRA's Net Position as of June 30, 2017 is \$126.6 million including \$86.1 million invested in capital assets and \$40.5 million in Net Current Assets. MIRA's Net Position will continue to reduce over the next several years as we fully depreciate the Resource Recovery Facility.

Mr. Daley said some of the significant financial highlights addressed in the MD&A include the reduction in MIRA's Cash & Equivalents of \$2.1million from last year which includes the mitigating effects of the \$4.8 million in net proceeds from the Sale of the Stratford Recycling Facility. CSWS budget variances caused MIRA to rely on the use of Tip Fee

Stabilization Fund more heavily than planned, which left MIRA with a cash balance of \$2 million in that fund at year end with \$13.7 million contingently due back from the CSWS to the fund.

CSWS revenue declined by \$1.7 million which includes the mitigating effect of nearly a \$1 million increase in recycling and metal sales revenue. Landfill Division revenue declined substantially from fiscal year 2016 due to the Hartford Landfill solar panels being off line for nearly half the year due to a lighting strike. MIRA has no long term debt outstanding and is also no longer associated with any conduit bond issues. MIRA's liabilities primarily consist of Accounts Payable, Accrued Expenses and some Prepaid Revenues.

Mr. Daley highlighted the key points addressed in the economic factors and outlook section of the MD&A. The most significant economic factors with the potential to adversely affect MIRA are CSWS business model and DEEP's Resource Rediscovery. The CSWS Business model relies on declining non disposal fee revenue to offset the Tip Fees charge to the participating towns and help keep that under the opt out Tip Fee included in the long term contracts. MIRA has been successful in not exceeding the opt out from inception of the CSWS through fiscal year 2017 which often relied on use of the Tip Fee Stabilization Fund. However, he said that during planning initiatives associated with development of the fiscal year 2018 budget, MIRA determined that continued declines in non-disposal fee revenue would cause it to exceed the opt out in FY 2018. He noted that, due to MIRA's stakeholder involvement and communications, none of the towns actually opted out of their contracts when the opt out was exceeded. Mr. Daley noted that the sustainability of the Tip Fee Stabilization fund relies on revenue from the JETS capacity payments and DEEP's newly adopted Phased Compliance program. DEEP's new regulation extends the life of these assets from May 31, 2017 to May 31, 2023 and is a major milestone. This milestone, the increase in future capacity payments and enhanced Class II Rec legislation will greatly enhance the sustainability of the Tip Fee Stabilization Fund.

Mr. Daley said the MD&A highlights DEEP's Resource Rediscovery statute and timeline which includes an update on milestones achieved including issuance of the Phase II RFP and receipt of proposals from three finalists. He noted that contract principles and other RFP provisions involve MIRA transferring key aspects of its governance to the private sector in return for the private sector's acceptance of risk and provision of firm pricing on Tip Fees. The MD&A also points out that the RFP and principals state that MIRA will be paid up to \$1 million for its oversight of the projects and other statutory duties but provides only contingent revenue shares payable to MIRA. It is also noted that the statute requires that DEEP is to consider the best interest of CSWS participating towns in selecting a final proposal, and that the economic framework of the project will be challenging for the private sector due to a lack of guarantee waste or price support which will affect the private sector's ability to accept risk. It's also challenging for MIRA due to lack of secure payment provision and at this point MIRA is evaluating its contract objectives in the event DEEP's project moves forward and is also evaluating alternative projects if it does not move forward.

Lastly Mr. Daley touched upon the status of Landfill closures in the New England area. He said several pending large scale closures are being tracked by MIRA which will affect

disposal capacity and pricing in the entire region. He expects this topic to be expanded upon in next year's MD&A.

Mike Vandeventer, a partner of MahoneySabol, gave the Finance Committee a presentation on the audit. Mr. Vandeventer performed an audit of the financial statements of MIRA in accordance with the Auditing Standards issued by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Government Accountability Office. He said no other attest or non-attest services were provided to MIRA that could impair our independence.

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 be needed, sign offs of the management representation letter is required, and the CAFR review will take place later in December after the audit is finalized.

Mr. Vandeventer said MahoneySabol plans to issue an unmodified clean opinion on MIRA's financial statements which mean the firm is not aware of any internal material misstatements. MahoneySabol opinion provides reasonable but not absolute assurance. Mr. Vandeventer discussed the planning scope and timing of the Audit, Auditors responsibility under U.S Generally Accepted Auditing Standards and significant Audit findings.

The motion previously made and seconded was approved unanimously.

### **3. Discussion-Informational**

Mr. Daley reviewed the informational reports through July 31, 2017 with the Committee. He said CSWS generated \$0.85 million in operating income for the month of July, which is 28% above budget. Total operating revenue was 7% under budget due to weak MSW deliveries and energy production, partially offset by strong metal sales, recycling revenue and other energy markets, while operating expenses were 12% below budget in the month of July with savings in waste transport and NAES contract operating charges. The average energy price was 2.6% above budget but energy production was 15.8% below budget. The plant ran at full capacity in the month of July for 13 of 31 days.

Mr. Daley explained the recycling facility continued its strong performance and came in 78% above budgeted revenue for the month of July due to strong pricing of all commodities and strong CSWS-sourced volume. He said metal sales were 96% above budget for the month of July due to strong pricing; Waste deliveries were 14.8% under budget due to other contract waste being curtailed due to plant performance.

Mr. Daley said that, with regard to operating income, the Property Division was slightly below budget with a 3.5% revenue shortfall substantially offset by savings on the expense side. MIRA is executing the flow of funds in accordance with the new budget, including funding of the new Jets major maintenance accounts, refunding the PD General Fund for borrowing that occurred in FY17. He noted draws from Tip Fee Stabilization including back up funding as

approved in the budget have been made. Mr. Daley pointed out that MIRA has a new format for the CSWS Improvement Fund tracking report, which depicts each project funding to NAES for budget vs. actual on a monthly basis.

Mr. Daley said priorities reflected in FY 18 adopted budget have evolved at the request of Operations to provide additional funds for Bag House major maintenance, which required a push back on the turbine overhaul and delay/cancelation of WPF funding. Committee Vice-Chairman Hayden asked that this be explained at the Board meeting.

### **EXECUTIVE SESSION**

Committee Vice-Chairman Hayden 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 Committee Vice-Chairman Hayden and seconded by Director Milardo. The motion was approved unanimously. Committee Vice-Chairman Hayden requested that the following people remain for the Executive Session in addition to the Committee members:

Tom Kirk  
Peter Egan  
Laurie Hunt  
Mark Daley

The Executive Session commenced at 11:36 a.m. and concluded at 12:06 p.m.

The meeting was reconvened at 12:06 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.

### **ADJOURNMENT**

Committee Vice-Chairman Hayden requested a motion to adjourn the meeting, which was made by Committee Vice-Chairman Hayden and seconded by Director Milardo.

The meeting was adjourned at 12:10 p.m.

Respectfully submitted,

Kanchan Arora  
Board Administrator/General Accountant