

**Finance Committee
May 2, 2018
Regular Draft Minutes**

Members Present: Committee Chairman Shanley
 Bob Painter
 Jim Hayden
 Lizz Milardo (on the Telephone)

MIRA Staff Present: Tom Kirk, President
 Mark Daley, Chief Financial Officer
 Peter Egan, Director of Operations and Environmental
 Affairs
 Laurie Hunt, Director of Legal Services
 Jeff Duvall, Director of Budgets & Forecasting
 Deepa Krishna, Manager of Accounting and Financial
 Reporting
 Thomas Gaffey, Director of Recycling & Enforcement
 Marianne Carcio, Executive Assistant/Receptionist

Public Present: John Pizzimenti, USA Hauling

PUBLIC COMMENT

Committee Chairman Shanley called the meeting to order at 9:30 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 April 4, 2018, Finance Committee Meeting.

Committee Chairman Shanley requested a motion to accept the minutes of the April 4, 2018 Finance Committee meeting. The motion to approve the minutes was made by Director Painter and seconded by Director Hayden.

The motion to accept the minutes was approved.

2. Review and Approve Draft Resolution Increasing FY 2018 Authorized Distributions to the Tip Fee Stabilization Fund.

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

WHEREAS: The Materials Innovation and Recycling Authority (“Authority”) has previously adopted its Fiscal Year 2018 Property Division Operating and Capital Budgets; and

WHEREAS: Pursuant to the resolution adopting such budgets, the Authority authorized a maximum of five million dollars (\$5,000,000) in Property Division receipts for the periods ending July 31, 2017 through June 30, 2018 to be transferred to the Authority's Tip Fee Stabilization Fund; and

WHEREAS: Pursuant to a subsequent resolution adopted by the Authority at its February 15, 2018 meeting, such maximum distribution of Property Division receipts to the Tip Fee Stabilization Fund was increased from five million dollars (\$5,000,000) to seven million dollars (\$7,000,000); and

WHEREAS: Effective with the disbursement of receipts for the period ending March 31, 2018 the Authority has transferred six million, seven hundred seventy two thousand, seven hundred and ninety seven dollars (\$6,772,797) to the Tip Fee Stabilization Fund, and the Authority will reach such seven million dollar maximum with the pending distribution of receipts for the period ending April 30, 2018; and

WHEREAS: The Authority anticipates the need to transfer additional Property Division receipts to the Tip Fee Stabilization Fund to support the CSWS Cost of Operation during Fiscal Year 2018.

NOW THEREFORE, be it

RESOLVED: That effective with the disbursement of Property Division receipts for the periods ending April 30, 2018 through June 30, 2018 the maximum distribution of Property Division receipts is increased from seven million dollars (\$7,000,000) to nine million, nine hundred sixty nine thousand, two hundred and sixty five dollars (\$9,969,265) which sum represents the full FY 2018 budgeted distribution of receipts to the Tip Fee Stabilization Fund.

Mr. Daley said when the committee adopted the budget for fiscal year 2018 for Property Division it included just under \$10 million in distributions of Property Division income to the Tip Fee Stabilization Fund. The Property Division budget resolution also included authorized distributions of \$5 million, which could not be exceeded without further Board approval. In February, MIRA asked the Board to increase the cap from \$5 million to \$7 million. During that time, MIRA was reporting surplus CSWS operating income of about \$.75 million and wanted to see how the winter played out before potentially asking for another increase.

Since then, MIRA has had some significant challenges in the plant, including poor performance of the boilers and issues with turbine 5, and the surplus now has turned into a \$1.1 million deficit in CSWS income. Mr. Daley said in this resolution we are now requesting to increase the cap to the full budgeted amount of \$9.7 million.

Director Shanley asked what is our fall back in the event that we exhaust the budgeted amount; will we go to expenditure reductions?

Mr. Daley said MIRA can look at expenditure reductions, and prioritize what we are doing in the plant. If there is a need for additional deposits of funds, MIRA would request a transfer from the Property Division General Fund, which would require Board approval.

Director Shanley said it used to be \$5 million and then \$7 million and then \$ 7.5 million; our dependence on Property Division revenue continues to grow, which is a really bad trend and the only other option would be to look at the expense side or the rate side.

Mr. Daley said we have increased the tip fee and lowered our costs. He said we have had two consecutive years of \$4 increases following a \$2 increase, so we have brought up the tip fees steadily but the production in the plant is definitely concerning.

The motion previously made and seconded was approved.

3. Discussion-Informational

Mr. Daley reviewed the informational reports through March 31, 2018 with the Committee. Mr. Daley said MIRA's total personnel services are currently 11% (\$373,000) under budget year to date. The Authority Budget is 17% (\$460,000) under budget year to date.

Mr. Daley said that the Property Division generated \$1.15 million total income, which is 29% above budget, for the month of March. Year-to-date income is \$9.7 million or 18% above budget.

Mr. Daley said CSWS had an operating loss of \$117,000 in the month of March. All operating revenues other than recycling and metal sales were under budget. The plant ran at full capacity for just one day in the month of March. Overall boiler availability was 54%, against a budgeted availability of 86.6%, and turbine availability was 54.2%, against a budgeted availability of 100%. This impacted energy production, which was 12 million kwh, or 39%, below budget in the month of March.

Mr. Daley said overall waste deliveries were 25% under budget in the month of March, with most of the shortfall in ICW and spot. Year-to-date waste deliveries are 10% under budget. The only significant surplus in waste deliveries is hauler Non-Participating tons, which are 9,637 tons (7.8%) above budget year to date. Metal sales were very strong due to pricing in the month of March. Total metal sales and residue were 90% above budget in the month of March. Recycling sales are declining but remained 29% above budget in the month of March. However, this was due to delivery revenue of excess residue and CSWS-sourced single stream. Export revenue was 44% below budget due to declining prices in the month of March.

Director Hayden asked, if export markets dry up, how do we plan to deal with that?

Mr. Daley said generally by law the single stream recycling can't be combusted. While we can combust the aseptics and some other materials it is not a significant portion.

Mr. Daley said that in terms of cash flow, Property Division distributed \$923,000 to the Tip Fee Stabilization Fund in March but CSWS drew \$1.65 million and he noted a modification to the Cash Flow Statement. Two additional reserves have been set up to deal with equipment replacement for the Hartford Solar Panels, and renewal of Pollution Legal Liability Insurance for the landfills. These were approved with adoption of the fiscal year 2019 budgets and are now reflected on the cash flow statement.

Mr. Daley reviewed the FY 2019 monthly budget spreads which have been included in the informational package in final form. Mr. Daley noted that the budget spreads form the basis for MIRA's monthly cash flow distribution to CSWS and Property Division operating, capital and other reserve accounts, and for the monthly budget versus actual reporting to the Committee and Board. He also noted that the budget spreads include planned outage work in the boilers and turbines and explained how the work plan, together with an allowance for unplanned work, forms the basis for FY 2019 budgeted boiler and turbine availability. He said budget versus actual boiler and turbine availability is reported in narrative form in the monthly Board of Directors report. The Committee discussed the challenges of a fluid major maintenance program and alternative methods of graphic presentation of availability that may also be developed.

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 Milardo. The motion was approved. Committee Chairman Shanley 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 10:00 a.m. and concluded at 11:00 a.m.

The meeting was reconvened at 11:00 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.

ADJOURNMENT

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

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Kanchan Arora
Board Administrator/General Accountant