

Finance Committee
May 8, 2019
Regular Draft Minutes

Members Present: Committee Chairman Shanley
 Bob Painter
 Jim Hayden
 Lizz Milardo

MIRA Staff Present: Mark Daley, Chief Financial Officer
 Laurie Hunt, Director of Legal Services
 Cheryl Kaminsky, Manager of Accounting & Financial
 Reporting
 Jeff Duvall, Director of Budget and Forecasting
 Thomas Gaffey, Director of Recycling & Enforcement
 Thomas Edstrom, Risk Manager
 Vicki Arnum, Buyer/Administrative Assistant

Public Present: John Pizzimenti, USA Recycling
 Mary Leighton, Beecher Carlson
 Susan Garrard, Beecher Carlson

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 3, 2019, Finance Committee Meeting.

Committee Chairman Shanley requested a motion to accept the minutes of the April 3, 2019 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 Draft Resolution Regarding Annual and Quarterly State Reporting.

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

WHEREAS: The Materials Innovation and Recycling Authority (the “Authority”) is obligated under Section 1-123 and Section 22a-263 of the General Statutes to develop certain annual and quarterly financial and statistical reports, and to submit same to the Governor, General Assembly, and certain offices and committees thereof, as summarized on Exhibit A attached hereto (“Statutory Reports”); and

WHEREAS: Sections 1-123 and 22a-263 of the General Statutes do not specify a deadline by which such Statutory Reports are to be submitted; and

WHEREAS: The Authority has heretofore complied with Sections 1-123 and 22a-263 of the General Statutes by first completing its Annual Independent Audit Report (Audit Report) by September 30 of each year, and its Comprehensive Annual Financial Report (CAFR) by December 31 of each year, which deadlines and processes are mandated by the Office of the State Comptroller and the Government Finance Officers Association; and

WHEREAS: The Authority has further heretofore complied with Sections 1-123 and 22a-263 of the General Statutes by developing and submitting quarterly Statutory Reports consistent with and sequentially following completion the Audit Report and CAFR; and

WHEREAS: The State’s Auditors of Public Accounts have issued a report dated April 17, 2019 concerning the Authority’s operations for the Fiscal Years ended June 30, 2015 and 2016 which report recommends the Authority ensure the Statutory Reports are submitted in a timely manner; and

WHEREAS: The Authority has evaluated this recommendation and desires to act upon it in a manner that continues to ensure that the Statutory Reports are developed and submitted consistent with and sequentially following completion the Audit Report where appropriate, and that further ensures the anticipated content of such Statutory Reports is readily and timely available to the users thereof reasonably in advance of the submission of final reports.

NOW, therefore, be it:

RESOLVED: That effective for the fourth quarter of Fiscal Year 2019, management is directed to develop and submit the Statutory Reports independent of the deadlines and processes associated with the CAFR; and

FURTHER RESOLVED: That effective for the fourth quarter of Fiscal Year 2019, except as indicated on Exhibit A, management is directed to develop and submit the Statutory Reports consistent with and sequentially following completion the Audit Report; and

FURTHER RESOLVED: That management is directed to incorporate the tentative content of Statutory Reports indicated on Exhibit A into the monthly Board of Director’s Financial Report and the Authority’s website and make such tentative content available to the users of the Statutory Reports each month.

Mr. Daley said that we have received the State Auditor's report covering Fiscal year 2015 and Fiscal year 2016. The report includes a recommendation to improve the timing of submittals of Quarterly Financial and Statistical reports. MIRA (and previously, CRRA) historically followed a schedule that involves completing our annual independent audit and CAFR and then submitting 4th quarter reports for that year. This ensured consistency among reports but has impacted the timing of the 4th quarter report and the following 1st quarter report. This is in compliance with statute since there is no prescribed deadline for submission.

Director Painter asked is this a product of a new administration.

Mr. Daley replied that he doesn't know the answer to that, but it is different than before -- this may seem a little over the top, but at the same time, the State Auditor is charged with performing this kind of oversight and making recommendations. Regardless, Mr. Daley said, we would like to act on the recommendation and improve the timing. We have evaluated all the reporting requirements which are attached to the resolution and came up with a few steps that we can take to improve timing and not impact consistency and accuracy in the reporting. Mr. Daley said we will no longer hold 4th quarter reports pending completion of the CAFR. We can have the 4th quarter drive the CAFR. MIRA will separate the Section 1-123(c) report from all others since it contains personnel information not relevant to the independent audit or the CAFR.

Committee Chairman Shanley asked whether the accuracy of the report depends upon the 4th quarter.

Mr. Daley said we are not changing the dependency of the annual independent audit are changing the dependency on the CAFR. The CAFR incorporates the independent audit which is done in December, so we are not sacrificing the accuracy of the independent audit or nature of what we are submitting; we are switching the driver on the CAFR. MIRA reviewed this with the State Auditors and they are comfortable this addresses their recommendation. Lastly, MIRA will include additional relevant and tentative data in our monthly Board of Directors report and make that available to the users of these reports.

The motion previously made and seconded was approved.

3. Discussion of FY 2020 Insurance Renewals.

Mr. Daley thanked Beecher Carlson for coming in today and mentioned that they have been working hard on our policy renewals. This would be for fiscal 20, starting July 1, 2019, which is particularly challenging with the turbine issues.

Mary Leighton from Beecher Carlson said the property coverage is actually not renewing right now --due to the outstanding claims, we did a policy extension to 1/1, so we don't have anything on that today; the plan for next year is to put that back on a 7/1 renewal, so what we plan to do is to get the term extended for an additional six months to get back on a 7/1 renewal schedule with all the policies. So that's the update with the property.

Director Shanley asked, so all the policies will catch up?
Ms. Leighton said exactly, all the policies will be back on 7/1.

Ms. Leighton said what we have for you today is the casualty coverage: the general liability, workers comp, auto, and umbrella, as well as the public officials, commercial crime, and fiduciary liability. Furthermore, she said I have formal quotes from the incumbents, we believe they are going to be the best options. There are still a couple of companies that we're waiting to hear back from; if any of our recommendations change when we hear from them, we will let you know, but this is a formal binder for the proposals that we have for you today.

Susan Garrard from Beecher Carlson provided a broad overview of the current marketplace in property and casualty.

Ms. Leighton mentioned that once we have all the carriers finalized, we will just need MIRA to bind the coverage.

Mr. Daley asked, when do you need to bind?

Ms. Leighton said a week or so prior to June, as our policies don't expire till 7/1.

2. Discussion-Informational

Mr. Daley reviewed the informational reports through March 31, 2019, with the Committee. Mr. Daley said the Authority budget for Personnel and Non-personnel services presently has a 9.5% favorable variance year-to-date. Mr. Daley said March was a good month for Property Division; Total operating revenue was 11.7% above budget while operating expenses were 41.6% below budget. Year-to-date Property Division income is \$13.7 million, which is \$1.9 million (16.2%) better than budget.

Mr. Daley said CSWS was restored to full operations in the current reporting period. Turbine 6 came back online on March 5th and non-participating waste was allowed back in starting March 11th, 2019. Operating revenue to CSWS improved significantly in March 2019. It totaled \$4.6 million but remained 12% below budget. Operating expenses were 17% below budget which allowed CSWS to generate \$0.4 million in income in the month of March. We generated 29.1 million kWh of energy which is 12.9% above budget and received approximately 40,000 tons of waste (17.6% under budget).

Mr. Daley said the recycling facility and metal sales revenue were both above budget in March 2019 and on a year-to-date basis. As we emerge from the financial challenges of the turbine outages, Mr. Daley said, I want to point out that MIRA remains \$3.2 million over the amended CSWS budgeted expenses through March 31, 2019. However, as a remainder, when we increased our budget during the turbine outage, the increase was allocated over the months of December through May. Therefore, barring unforeseen circumstances, we will see this variance continue to decline through June. We are watching this closely and will need to decide at the next Finance meeting if an additional amendment is needed to wrap up the year. If we do need

another budget increase, we would fund it with one final increase in the cap on distributions to the Tip Fee Stabilization Fund, since we will likely end the year with Property Division income exceeding budget by over \$2 million.

Mr. Daley said the Finance Committee package includes the fiscal year 2020 monthly budget spread for the CSWS and Property Division as well as the current fiscal year 2020 outage schedule for the power block. The importance of the budget spread is that it determines the amount of funding we distribute each month to the following funds and accounts: CSWS Operating Account, CSWS Improvement Funds, Property Division Operating Account, MIRA Severance, Property Division Improvement Fund, Property Division General Fund and Tip Fee Stabilization Fund. He said annual budgeted revenues and expenses were generally distributed evenly across the year with exceptions made to reflect historical waste flow patterns and resulting energy generation, impact of the outage schedule, the bi-weekly payroll schedule, and Board resolutions concerning the distribution of income and cash flow requirements.

Mr. Daley said there are several formatting changes and updates being made to the FY 2020 and FY 2019 Board of Directors report. These include Waste Hauler delivery charges, recycling deliveries, Additional Cost Recovery under the MSA and total income distributions. Waste Hauler deliveries will now be split between deliveries direct to Hartford and deliveries to transfer stations to reflect the new fee structure. Similar changes were made for the Recycling deliveries.

Mr. Daley added that Additional Cost Recovery under the Municipal Service Agreements associated with the turbine outages also has to be incorporated in the report. For FY 2019 we have imposed a mid-year increase in the tip fee effective April 1 which will be separately tracked as operating revenue. However, for FY 2020, we included \$1.9 million in Additional Cost Recovery in the CSWS budgeted total Cost of Operation. Since there will be no current fiscal year 2020 expense against this budget item, it is not included within the Total Accrued Expenses historically shown on the report. Rather, it will be separately stated as “Prior Year Cost Recovery” after Total Accrued Expense.

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 Painter. The motion was approved. Committee Chairman Shanley requested that the following people remain for the Executive Session in addition to the Committee members:

Mark Daley
Laurie Hunt

The Executive Session commenced at 10:20 a.m. and concluded at 10:52 a.m.

The meeting was reconvened at 10:53 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 Painter.

The meeting was adjourned at 10:53 a.m.

Respectfully submitted,

Kanchan Arora
Consultant