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October 21, 2019

The Honorable Ned Lamont  
Governor  
State of Connecticut  
Executive Chambers  
State Capitol  
Hartford, CT 06106

**RE: Connecticut General Statutes, Section 1-123(a)  
Materials Innovation and Recycling Authority - Annual Report Requirements – Fiscal  
Year 2019**

Dear Governor Lamont:

The Materials Innovation and Recycling Authority (the “Authority”) is pleased to submit its fiscal year 2019 annual reporting requirements as provided under Section 1-123(a) of the Connecticut General Statutes (“CGS”). Also enclosed is the Authority’s independent audited Annual Financial Report for the Years Ended June 30, 2019 and 2018.

The Authority’s annual reporting requirements are summarized in the table below. The Authority’s initiatives to evolve to an organization focused on the operation and redevelopment of the Connecticut Solid Waste System (“CSWS”) as contemplated under Public act 14-94 are outlined in section 7 concerning planned activities.

<b>Required Submission under CGS Section 1-123(a):</b>	<b>Item #</b>
(1) A list of all bond issues for the preceding fiscal year, including, for each such issue, the financial advisor and underwriters, whether the issue was competitive, negotiated or privately placed, and the issue's face value and net proceeds;	1
(2) A list of all projects other than those pertaining to owner-occupied housing or student loans receiving financial assistance during the preceding fiscal year, including each project's purpose, location, and the amount of funds provided by the agency;	2
(3) A list of all outside individuals and firms receiving in excess of five thousand dollars in the form of loans, grants or payments for services, except for individuals receiving loans for owner-occupied housing and education;	3
(4) A complete set of financial statements;	4
(5) The cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability;	5
(6) The affirmative action policy statement, a description of the composition of the agency's work force by race, sex, and occupation and a description of the agency's affirmative action efforts; and	6
(7) A description of planned activities for the current fiscal year.	7


Please contact me if you have any questions or concerns regarding this submission.

Best Regards,



Thomas D. Kirk  
President

Enclosure: Audited Annual Financial Report

cc: State Auditors of Public Accounts  
 Mark Daley, Chief Financial Officer (w/o enclosure)  
Laurie Hunt, Esq., Director of Legal Services (w/o enclosure)  
Cheryl Kaminsky, Manager of Accounting and Financial Reporting (w/o enclosure)



**MATERIALS INNOVATION AND  
RECYCLING AUTHORITY**  
A Component Unit of the State of Connecticut

**CT GENERAL STATUTES SECTION 1-123(a)**  
**ANNUAL REPORT**  
**FOR**  
**FISCAL YEAR ENDING JUNE 30, 2019**

1. **BONDS ISSUED DURING FISCAL YEAR 2019**

No bonds were issued by the Authority during fiscal year 2019.

## **2. FINANCIAL ASSISTANCE PROVIDED DURING FISCAL YEAR 2019**

The Authority did not provide any financial assistance<sup>1</sup> during Fiscal Year 2019.

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<sup>1</sup>Excludes inter-fund transfers among MIRA projects / divisions and rebates/distributions of surplus funds to project member municipalities.

**3. VENDORS PAID \$5,000 OR MORE DURING FISCAL YEAR 2019**

100-200 CORPORATE PLACE, LLC	\$	187,913.26
A J BELLIVEAU RAILROAD CONSTRUCTION INC	\$	11,075.00
ACCONTEMPS	\$	11,234.89
ADP LLC	\$	12,049.65
AMERITAS LIFE INSURANCE CORP	\$	9,066.64
ANALYTICAL CONSULTING TECH INC	\$	5,527.50
AUSTIN ENVIRONMENTAL CORP	\$	2,947,219.30
B G MECHANICAL SERVICE INC	\$	8,026.49
BABYLON RECYCLING CENTER	\$	2,360,048.47
BANK OF AMERICA	\$	6,629.00
BEECHER CARLSON/ MASTER TRUST	\$	584,234.30
BOSTON INSURANCE EMPLOYEE BENEFIT TRUST	\$	93,945.17
CASELLA OF HOLYOKE, INC.	\$	186,033.15
CASELLA WASTE SYSTEM, INC.	\$	1,593,881.60
COHN BIRNBAUM & SHEA	\$	11,571.00
COMM REVENUE SERVICES, ST OF CT	\$	617,543.27
COMMONWEALTH WASTE TRANSPORTATION, LLC	\$	77,555.50
CONN NATURAL GAS CORPORATION	\$	15,048.52
CONNECTICARE, INC.	\$	434,844.74
COVANTA ENERGY	\$	57,509.40
COVANTA ENERGY, LLC	\$	407,655.90
COX BUSINESS	\$	6,681.41
CROWN CASTLE FIBER LLC	\$	5,625.00
CT COMMUNITY NON PROFIT ALLIANCE INC	\$	8,239.57
CT STATE OF DEPARTMENT OF ENERGY	\$	292,928.42
CWPM LLC	\$	4,001,589.29
DAYMARK ENERGY ADVISORS	\$	16,575.00
ENVIRONMENTAL CAPITAL LLC	\$	20,151.25
ENVIRONMENTAL SERVICES, INC.	\$	6,763.45
EPICOR SOFTWARE CORPORATION	\$	31,732.83
ESSEX, TOWN OF	\$	51,061.89
EVERSOURCE ENERGY	\$	1,124,817.84
FIBER TECHNOLOGIES NETWORKS, LLC	\$	16,875.00
FIDELITY INVESTMENTS	\$	615,398.07
FRONTIER	\$	16,335.98
GERSHMAN BRICKNER BRATTON INC	\$	24,491.00
HALLMARK TOTALTECH, INC.	\$	22,882.50
HALLORAN AND SAGE LLP	\$	241,193.00
HARTFORD CITY OF TREASURER	\$	1,500,050.00
HARTFORD SPRINKLER CO INC	\$	9,187.33
HDR, INC	\$	38,195.00
HEALTH EQUITY, INC.	\$	13,915.87

HOOKER & HOLCOMBE INVESTMENT ADVISORS, INC	\$	10,684.00
IPFS CORPORATION	\$	704,204.72
ISO NEW ENGLAND INC	\$	18,245.59
JSB CONSULTING LLC	\$	23,663.04
LOUREIRO ENGINEERING ASSOCIATES	\$	8,637.80
MAHONEY SABOL	\$	42,000.00
MAYER BROWN LLP as TRUSTEE FOR CIBC	\$	425,000.00
MDC	\$	353,396.31
METTLER TOLEDO INC	\$	54,158.88
MURPHY ROAD RECYCLING LLC	\$	1,604,367.80
NAES CORPORATION	\$	45,125,088.56
NEXTERA ENERGY POWER MARKETING, LLC	\$	240,000.00
OAK RIDGE HAULING, LLC	\$	300,710.50
PITNEY BOWES POSTAGE BY MAIL	\$	5,000.00
PREMIUM ASSIGNMENT CORPORATION	\$	47,329.58
PRIMARY LANDSCAPING, LLC	\$	16,580.00
PROJECT MANAGEMENT ASSOCIATES, LLC	\$	16,020.62
PRUDENTIAL RETIREMENT INSURANCE & ANNUIT	\$	55,412.96
SHELL FLEET PLUS	\$	6,469.29
SIR SPEEDY BLOOMFIELD	\$	11,112.00
SMG SERVICES, LLC	\$	8,452.50
SONITROL SECURITY SYSTEMS HTFD INC	\$	21,761.80
STERICYCLE ENVIRONMENTAL SOLUTIONS, INC	\$	5,310.00
TORRINGTON TOWN OF	\$	36,498.61
TOWN OF SOUTHBRIDGE	\$	19,100.00
TRC ENVIRONMENTAL CORP	\$	81,217.78
USA HAULING & RECYCLING	\$	161,061.85
USA WASTE AND RECYCLING, INC.	\$	2,335,512.12
USDA WILDLIFE SERVICES	\$	7,750.03
USDA-APHIS WILDLIFE SERVICES	\$	23,249.64
VERIZON WIRELESS	\$	13,938.99
WAGeworks, INC.	\$	16,051.78
WATERTOWN TOWN OF	\$	56,839.13
WEST HARTFORD TOWN OF	\$	193,149.75
WESTERN RECYCLING	\$	1,947,420.30
WHEELABRATOR	\$	6,103,320.73
WILLIAM B. MEYER, INC.	\$	6,716.29
WILLIMANTIC WASTE PAPER CO INC	\$	641,242.14
WTE RECYCLING INC	\$	95,957.02
ZETTA, INC	\$	7,577.26

**4. FINANCIAL STATEMENTS AS OF JUNE 30, 2019**



**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2019 AND JUNE 30, 2018**  
**(Dollars in Thousands)**

**EXHIBIT 1**  
**Page 1 of 2**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 31,169	\$ 32,727
Receivables, net of allowances	11,083	5,587
Inventory	5,779	6,203
Prepaid expenses	2,487	2,496
Total Unrestricted Assets	50,518	47,013
Restricted Assets:		
Cash and cash equivalents	209	206
<b>TOTAL CURRENT ASSETS</b>	50,727	47,219
<b>NON-CURRENT ASSETS</b>		
Capital Assets:		
Depreciable, net	25,889	47,985
Nondepreciable	30,783	32,245
Total Capital Assets	56,672	80,230
<b>TOTAL NON-CURRENT ASSETS</b>	56,672	80,230
<b>TOTAL ASSETS</b>	107,399	127,449

The accompanying notes are an integral part of these financial statements

**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**STATEMENTS OF NET POSITION (Continued)**  
**AS OF JUNE 30, 2019 AND JUNE 30, 2018**  
**(Dollars in Thousands)**

**EXHIBIT I**  
**Page 2 of 2**

	2019	2018
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts payable	\$ 2,344	\$ 1,444
Accrued expenses and other current liabilities	2,347	2,886
Unearned revenue	821	3,641
Total Payable from Unrestricted Assets	5,512	7,971
Payable from Restricted Assets:		
Accrued expenses and other current liabilities	159	157
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,671</b>	<b>8,128</b>
<b>TOTAL LIABILITIES</b>	<b>5,671</b>	<b>8,128</b>
<b>NET POSITION</b>		
Net investment in capital assets	56,672	80,230
Restricted	50	49
Unrestricted	45,006	39,042
<b>TOTAL NET POSITION</b>	<b>\$ 101,728</b>	<b>\$ 119,321</b>

The accompanying notes are an integral part of these financial statements

**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
A Component Unit of the State of Connecticut  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
(Dollars in Thousands)

**EXHIBIT II**

	2019	2018
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 31,264	\$ 25,519
Others	9,546	14,048
Energy sales	33,399	30,648
Other	3,299	3,674
<b>Total Operating Revenues</b>	<b>77,508</b>	<b>73,889</b>
<b>Operating Expenses</b>		
Solid waste operations	59,887	51,420
Maintenance and utilities	2,781	906
Legal services - external	76	(37)
Administrative and Operational services	4,797	4,829
<b>Total Operating Expenses</b>	<b>67,541</b>	<b>57,118</b>
<b>Operating Income before depreciation and amortization</b>	<b>9,967</b>	<b>16,771</b>
Depreciation and amortization	39,054	21,431
<b>Operating Loss</b>	<b>(29,087)</b>	<b>(4,660)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	459	383
Settlement income	11,619	3,715
Settlement expenses, net	-	(2,324)
Distribution to SCRRA	-	(656)
Distributions to towns	(88)	(3,412)
Other revenues (expenses), net	(496)	(326)
<b>Total Non-Operating Revenues (Expenses), Net</b>	<b>11,494</b>	<b>(2,620)</b>
<b>Change in Net Position</b>	<b>(17,593)</b>	<b>(7,280)</b>
<b>Total Net Position, beginning of year</b>	<b>119,321</b>	<b>126,601</b>
<b>Total Net Position, end of year</b>	<b>\$ 101,728</b>	<b>\$ 119,321</b>

The accompanying notes are an integral part of these financial statements

**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
A Component Unit of the State of Connecticut  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
(Dollars in Thousands)

**EXHIBIT III**

	2019	2018
<b>Cash Flows Provided by (Used in) Operating Activities</b>		
Payments received from providing services	\$ 69,192	\$ 73,808
Payments to suppliers and employees	(66,765)	(66,548)
Distributions to towns	(88)	(3,412)
Distribution to SCRRRA	-	(656)
Settlement income	11,619	3,715
Settlement expenses	-	(281)
<b>Net Cash Provided by Operating Activities</b>	<b>13,958</b>	<b>6,626</b>
<b>Cash Flows Provided by Investing Activities</b>		
Interest on investments	459	383
<b>Net Cash Provided by Investing Activities</b>	<b>459</b>	<b>383</b>
<b>Cash Flows Provided by (Used in) Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	1	5
Acquisition and construction of capital assets	(15,973)	(15,890)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(15,972)</b>	<b>(15,885)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,555)</b>	<b>(8,876)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>32,933</b>	<b>41,809</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 31,378</b>	<b>\$ 32,933</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$ (29,087)	\$ (4,660)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	39,053	21,431
Other income (expenses), net	11,511	(2,677)
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Receivables, net	(5,496)	(605)
Inventory	424	(266)
Prepaid expenses	121	(174)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(2,568)	(6,423)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 13,958</b>	<b>\$ 6,626</b>

The accompanying notes are an integral part of these financial statements

**5. BOND STATUS AS OF JUNE 30, 2019**

As of June 30, 2019, the Authority had no outstanding long-term debt carried on its books.

**6. AFFIRMATIVE ACTION POLICY STATEMENT**

**Materials Innovation and Recycling Authority  
Ethnic Composition of Total Work Force  
Summary of EEOC Report  
Updated June 30, 2019**

	Males							Females							
	Total Males	White	Black or African American	Hispanic or Latino	Asian	Native Hawaiian or Other Pacific Islander	Two or More Races	Total Females	White	Black or African American	Hispanic or Latino	Asian	Asian Indian	Native Hawaiian or Other Pacific Islander	Two or More Races
<b>TOTAL</b>	6	4	0	0	0	0	0	2	2	0	0	0	0	0	0
Executive Managerial	21.4%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	7.1%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Technicians	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales Workers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Professionals	39.3%	7	7	0	0	0	0	4	3	0	0	0	0	0	0
Office and Clerical	39.3%	7	7	0	0	0	0	4	1	2	1	0	0	0	0
	28	18	18	0	0	0	0	10	6	2	1	1	0	0	0
<b>TOTALS</b>	100.0%	64.3%	64.3%	0.0%	0.0%	0.0%	0.0%	35.7%	21.4%	7.1%	3.6%	3.6%	0.0%	0.0%	0.0%



**EQUAL EMPLOYMENT OPPORTUNITY  
AND  
AFFIRMATIVE ACTION  
STATEMENT AND PLAN**

**ADOPTED by CRRA– NOVEMBER 14, 2003  
MIRA is CRRA's successor**



## **EQUAL EMPLOYMENT OPPORTUNITY AND AFFIRMATIVE ACTION STATEMENT AND PLAN**

The Materials Innovation and Recycling Authority (MIRA) is an equal opportunity and affirmative action employer, dedicated to a policy of nondiscrimination in employment on any basis prohibited by law. It is the MIRA's policy to provide equal employment and advancement opportunities to all individuals without regard to age, sex, race, color, religion, national origin, marital status, veteran status, disability, sexual orientation or any other legally protected status, and to maintain an environment free from discrimination or harassment based upon these grounds.

The MIRA is committed to providing equal opportunities in terms of its recruiting and hiring practices, including without limitation, by notifying its recruitment sources of the MIRA's nondiscrimination policies and by placing "help-wanted" advertisements containing the phrase "An Equal Opportunity Employer." The MIRA is also committed to providing equal opportunities to its employees in all of its employment practices, including but not limited to compensation, training, transfers, promotions and disciplinary procedures, and in the provision of all of its employee benefit programs. Personnel decisions will be made on the basis of the needs of the MIRA and an individual's job-related skills, ability and merit.

The MIRA further pledges its strong commitment to ensure that all contractors and subcontractors who do business with the MIRA provide equal opportunities in employment to all qualified persons solely on the basis of job-related skills, ability and merit. The participation of minority business enterprises meeting qualifications established by applicable regulations shall further be solicited and encouraged.

The MIRA shall include an equal opportunity clause in all of its contracts and shall not enter into any contract with any person, agency or organization if it has knowledge that such person, agency or organization engages in unlawful discriminatory practices.

The MIRA further pledges that all MIRA-sponsored training and social and recreational programs will be administered without regard to any legally protected status.

As part of its commitment to equal opportunities, the MIRA expects all of its employees to adhere to this policy of nondiscrimination. The MIRA will take prompt action upon the receipt of a complaint of unlawful discrimination and will take appropriate corrective action, including disciplinary measures if necessary, to remedy any discriminatory conduct. Complaints should be referred to the Human Resources Manager, who is the MIRA's designated Equal Employment Opportunity (EEO) Officer. Alternatively, employees may submit complaints to the President of the MIRA or to any manager or supervisor.

The day-to-day responsibility for administering and complying with this policy is delegated to the various department heads with respect to the employees within their respective departments. The President and the Board of Directors will provide necessary procedural guidance in the coordination and application of the policy and any changes or modifications to the policy as may be required.

The MIRA's plan for implementing its equal employment and affirmative action policy could include any or all of the following actions:

1. Attempt to hire and promote qualified female and minority candidates through efforts to increase the number of highly qualified female and minority applicants for each vacancy, with the ultimate goal that MIRA's workforce will mirror the diversity of the labor pool.
2. Attempt to reach a greater number and diversity of representative groups to notify them of employment opportunities with MIRA. Wherever possible, target the Hispanic, African-American, Asian Pacific/Islander and Native American communities by contacting organizations and educational institutions that promote the interests of such individuals.
3. Explore the creation of an internship program to create interest among minority students in career opportunities at MIRA.
4. Take the following steps to ensure that all applicants and employees are aware that MIRA is an equal opportunity employer and of MIRA's affirmative action recruitment efforts:
  - a. Publicize the Equal Employment Opportunity Statement and Affirmative Action policy in MIRA's Personnel Policy Manual and post the same on MIRA bulletin boards.
  - b. Publicize the accomplishments and/or promotions of minorities and females internally.
  - c. Assess the equal opportunity and affirmative action efforts and achievements prior to the promotion of employees or the execution of discretionary salary increases.
  - d. Conduct meetings to discuss equal employment opportunity policies and responsibilities with MIRA employees, including during employee orientation and training sessions.
  - e. Advise all recruiting sources of MIRA's Equal Employment Opportunity Statement and Affirmative Action policy.
  - f. Notify all bidders, contractors, and suppliers of MIRA's Equal Employment Opportunity Statement and Affirmative Action policy and ensure that all contracts for services and materials include a statement in which the

contractor agrees to abide by affirmative action and fair employment principles.

- g. Attend job fairs where the potential for exposure to potential female and minority applicants is high.
- h. Continue to encourage participation of minority business enterprises and not to contract with any entity debarred from participation in state or federal contract programs.
- i. Notify minority and women's organizations, community organizations, state and local employment security and vocational rehabilitation agencies, schools and colleges of MIRA's Equal Employment Opportunity Statement and Affirmative Action policy.
- j. Place advertisements for employees containing the phrase "MIRA is an Affirmative Action/Equal Opportunity Employer" within the appropriate classified section of newspapers and/or job posting websites.
- k. Send outreach letters, job postings and job descriptions to various minority organizations throughout the state to increase awareness of employment opportunities at MIRA in the region's minority communities.
- l. Conduct outreach meetings via telephone with minority organizations during the year to maintain and improve the lines of communication between MIRA and these organizations as well as increase the awareness of MIRA's affirmative action efforts throughout the state's minority communities.

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Approved By: Board of Directors

P&P No.: BOD 013  
Effective Date: November 11, 2003

<b>AFFIRMATIVE ACTION EFFORTS TO DATE</b>
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When job openings are available, the Authority's efforts to increase diversity in its workforce generally includes the following measures:

- Print advertising with Connecticut Post, Journal Inquirer, Hartford Courant, La Voz Hispaña, New Haven Register, Northeast Minority News and Waterbury Republican.
- Web postings of Authority jobs appeared on the following sites:
  1. Authority Internet Employment Opportunities Page

- The Authority had one hiring in Fiscal year 2019. This employee (scale operator) was hired through a temp agency.

**7. PLANNED ACTIVITIES FOR FISCAL YEAR 2020**

The Authority has previously completed its fiscal and contractual roles in the development and operation of the Bridgeport, Wallingford and Southeast waste to energy facilities which are now privately operated. It has transferred its landfill post closure care obligations to the Department of Energy and Environmental Protection (“DEEP”) and resolved major outstanding conditions precedent to closing out the Mid Connecticut Project. The Authority is now primarily focused on operating the Connecticut Solid Waste System (“CSWS”), the only remaining publicly controlled waste disposal option in the state, on a self-sustaining basis while implementing DEEP’s selected CSWS redevelopment plan.

The commitment to operate the existing CSWS on a self-sustaining basis was originally made and documented within a statutorily mandated transition plan and ten year financial plan prepared by Connecticut Resources Recovery Authority (“CRRA”) and submitted to DEEP in the lead up to the Authority’s creation and assumption of CRRA’s assets, rights, duties and obligations (“Transition Plan”). The Transition Plan covers the ten year period ending June 30, 2024. It is intended to allow for a smooth transition to future options for environmentally sound waste disposal. To aid in ensuring the fulfillment of this commitment, the Authority annually reviews the ten year plan in the context of current circumstances, adopts and implements necessary modifications as part of its annual budget development process. These modifications have addressed:

- Development and adaptation of the Authority’s Tip Fee Stabilization Fund.
- Sustainability of funding sources for the Authority’s Tip Fee Stabilization Fund.
- Operating performance of the CSWS waste to energy facility.
- Major maintenance requirements for the waste to energy facility.
- Methods to address declining energy, commodity and service pricing.
- Sale of surplus property to enhance the Authority’s cash position.
- Assessment of surcharges for use of the CSWS by non-participating municipalities.
- Curtailed use of the CSWS by non-participating towns due to facility performance.

The Authority operated on a self-sustaining basis in fiscal year 2019. However, its financial performance declined due to the declining operational performance of the CSWS. The Authority generated \$9.97 million in income before depreciation, and before certain net non-operating revenues, which reflects a decrease of \$6.80 million (40.6%) from fiscal year 2018. After \$39.05 million in depreciation and amortization expenses and \$11.49 million in net non-operating revenue, the Authority’s net position declined by \$17.59 million.

The Authority generated total operating revenue of \$77.51 million and incurred \$67.54 million in operating expenses before depreciation, resulting in operating income before depreciation of \$9.97 million. Total operating revenues increased by \$3.62 million (4.9%) reflecting increased member service charges for use of the Connecticut Solid Waste System (“CSWS”), and improved energy sales within the Authority’s Property Division, offset by a reduction in the delivery of non-participating waste to the CSWS. Total operating expenses before depreciation increased by \$10.42 million (18.2%) reflecting significant diversion of CSWS waste to alternate disposal sites, coupled with the need to process waste with energy purchased from the grid, and further impacted by the recently expired useful life of substantial components of the CSWS waste to energy facility, which ended the capitalization of certain major maintenance activities.

During fiscal year 2019 the Authority experienced and rebounded from the failure of two turbine generators essential to operation of the CSWS waste to energy facility. In response to these failures, the Authority declared force majeure events under all of its waste hauler and municipal contracts, substantially reduced the amount of waste accepted, diverted a significant portion of accepted waste to alternate disposal sites, repaired and put the turbines back into service. Financial impacts were significant yet accommodated through a series of measures including reallocation of operating and capital resources, increased subsidy of the CSWS through its Tip Fee Stabilization Fund, and the drawdown of operating reserves while insurance claims were developed and processed. Additional charges were imposed to recoup losses not covered by insurance, and the Authority's business model was modified moving forward to provide greater flexibility and efficiency when necessary to reduce deliveries from non-participating municipalities. The timing and duration of the turbine failures left the CSWS waste to energy facility with only five months of two-turbine operations, during which the facility's boiler availability averaged only 73% due to a wide range of challenges. Absent near term major refurbishment of the waste to energy facility, alternative disposal capability, likely involving out-of-state landfilling in contravention to DEEP's Comprehensive Materials Management Strategy, will need to be planned and implemented.

In fiscal year 2014, the State passed Public Act 14-94 (the "Act") forming the Authority and designating it as successor to CRRA. One of the core objectives of the Act was to set a process in motion, with specific roles and deadlines for the Authority, DEEP and the private sector that would bring about the redevelopment of the CSWS. Major milestones have included completion of a two-phase Request for Proposals (RFP) process, legislative reports and public hearings culminating in DEEP's selection of a preferred proposal and its December 31, 2017 direction to the Authority to enter into an agreement for the redevelopment of the CSWS with its selected respondent (the Sacyr Rooney Recovery Team, LLC or "SRRT"). The SRRT proposal represented a \$222 million investment in the refurbishment of the waste to energy facility together with the incorporation of new "Diversion Technology" which would include new mechanical and biological treatment facilities and an aerobic digester. DEEP's initial objective was that a contract providing for the redevelopment be executed by July 1, 2018. Consistent with the Transition Plan, the redeveloped CSWS is expected to commence operations by July 1, 2023. The Authority's existing municipal service agreements expire on June 30, 2027.

During fiscal years 2018 and 2019, the Authority actively engaged in negotiations with SRRT aimed at bringing the proposed redevelopment project to fruition in a manner consistent with its municipal service agreements, the contracting requirements of its enabling legislation, relevant provisions of the Act and DEEP's RFP. Key topics addressed included financial feasibility, project structuring, governance and risk allocation, disposition and use of surplus revenue and municipal tip fees. The discussions culminated at the close of fiscal year 2019 with agreement on a Memorandum of Understanding outlining the roles and responsibilities the parties in each of these areas: The Memorandum of Understanding specifically provides:

- A staged development program – The CSWS redevelopment project will be undertaken in three stages. During the first stage, existing CSWS facilities are refurbished, the CSWS processing capacity is constrained and design and permitting of the Diversion Technology

much higher degree of reliability, the CSWS processing capacity is restored to historic norms and the Diversion Technology construction is undertaken. In the third stage, the Diversion Technology is operated and additional CSWS processing capacity is achieved through enhanced diversion of municipal solid waste.

- A capacity and revenue sharing model – All revenue associated with the first 650,000 tons of MSW are dedicated to refurbishment, operation and maintenance of the existing CSWS. Additional revenue associated with restored and enhanced processing capacity is shared. The Authority's revenue share will be fully used to offset tip fees and the SRRT share will be used to support development and operation of the Diversion Technology.
- Public governance – The existing CSWS facilities and the Diversion Technology will be owned by the Authority and the Authority will grant access to the CSWS through its contracts with municipalities and waste haulers.
- Authority financing the refurbishment of existing facilities – The Authority will issue tax exempt revenue bonds providing for the refurbishment of existing CSWS facilities. This is conditioned upon the Authority first establishing a firm construction cost for the refurbishment, a firm operating cost for the refurbished facilities, sufficient quantity and level of tip fees to support the project and sufficient security to enable approval of a Special Capital Reserve Fund for the Authority bonds.
- Performance guarantees for the refurbished facilities – SRRT will provide waste processing throughput and energy generation guarantees as part of its refurbishment and operation of the existing CSWS facilities.
- Private financing of the Diversion Technology – SRRT will finance development and operation of the Diversion Technology. CSWS project revenue available to support the Diversion Technology is limited to SRRT revenue shares for MSW deliveries over 650,000 tons annually plus sales revenue associated with its diverted commodities. There is no lender recourse against the Authority or its contracted customers for debt service associated with the Diversion Technology.
- A strict timeline moving forward – The MOU established a November 15, 2019 deadline for the execution of a fully developed term sheet, and an October 15, 2020 deadline for execution of a Comprehensive Development Agreement. If these deadlines are not met, the MOU terminates and no further negotiations will take place, with no recourse to either party.

During fiscal year 2020 the Authority will work aggressively with SRRT to meet the deadlines established in the MOU. As part of this effort, the Authority will fully develop long term financial forecasts and proposed tipping fee schedules, moving beyond the Transition Plan, for presentation to Connecticut municipalities. The Authority will seek to contract a sufficient quantity of firm waste deliveries, at sufficient prices, to satisfactorily demonstrate the viability of the project for financing purposes.

**Relevant Financial Policies** – The Authority has developed and maintains a strong policy portfolio aimed at safeguarding its assets, ensuring its financial statements, books and records are accurate and reliable, and that its financial interests and activities are planned and executed in accordance with management's expectations. Specific written policies, reviewed on a periodic basis, address accounting and financial reporting, development of the annual budget and plan of operations, cash management and daily receipts, procurement, payments and wire transfers, expense reimbursements, fixed assets & tagging, as well as signatory



and wire transfers, expense reimbursements, fixed assets & tagging, as well as signatory approval authorizations. The Authority undertakes a comprehensive annual budgeting and long term forecasting process, both of which reflect all operating revenues and expenses, reserve requirements and the estimated net-cost tip fee to be borne by its member municipalities.