

**Finance Committee
December 4, 2019
Regular Draft Minutes**

Members Present:

Bob Painter
Jim Hayden
Carl Fortuna (On the Telephone)

MIRA Staff Present:

Tom Kirk, President
Mark Daley, Chief Financial Officer
Laurie Hunt, Director of Legal Services
Peter Egan, Director of Operations & Environmental Affairs
Jeffrey Duvall, Director of Budgets and Forecasting
Thomas Gaffey, Director of Recycling & Enforcement
Cheryl Kaminsky, Manager of Accounting & Financial Reporting
Tina Mateo, Assistant Director of Budgets and Cash Mgmt.
Vicki Arnum, Buyer/Administrative Assistant

Public Present:

John Pizzimenti, USA Hauling

PUBLIC COMMENT

Director Hayden called the meeting to order at 9:32 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 November 6, 2019, Finance Committee Meeting.

Director Hayden requested a motion to accept the minutes of the November 6, 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 and Approve Draft resolution approving the Fiscal Year 2021 Property Division Budget.

Director Hayden 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”) maintains a Property Division for certain revenue producing assets not in service to its Connecticut Solid Waste System; and

WHEREAS, The Authority has previously established certain reserve funds for the retention, transfer and use of its Property Division income consistent with its statutory purposes which reserve funds currently include, but are not limited to, a Tip Fee Stabilization Fund intended to be drawn upon by the Connecticut Solid Waste System (CSWS) during periods of relatively low Non-Disposal Fee Revenue, and subsequently refunded contingent on future CSWS financial performance, as a means to mitigate inflationary pressures on CSWS solid waste disposal fees, a Property Division Improvement Fund, Jets Major Maintenance Fund, MIRA Severance Fund, Property Division General Fund and CSWS Improvement Fund; and

WHEREAS, The Authority annually adopts a Property Division Operating and Capital Budget and directs the distribution of its Property Division income to such funds in support of CSWS and Property Division operations and its other organizational needs; and

WHEREAS, The Authority anticipates that declining CSWS Non Disposal Fee Revenue and the operational performance of the CSWS Resource Recovery Facility will continue to put added pressure on CSWS tip fees in connection with the development of its Fiscal Year 2021 operating and capital budgets necessitating additional contributions to the CSWS Tip Fee Stabilization Fund.

NOW THEREFORE, be it

RESOLVED: That the Fiscal Year 2021 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 management is authorized to use the Property Division Jets Major Maintenance Fund for Jets Facility capital expenses, subject to the Jets Facility adopted Fiscal Year 2021 capital budget of \$389,000; and

FURTHER RESOLVED: That effective with the disbursement of receipts for the period ending July 31, 2020 and continuing through and including the disbursement of receipts for the period ending June 30, 2021, the Board of Directors authorizes the next \$5,000,000 in 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, pursuant to the “Draft SRRT Capacity Share Forecast Model” attached to the term sheet between MIRA and SRRT providing for the redevelopment of the CSWS, and the heretofore established 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 \$5,000,000 during this period without further Board authorization.

Mr. Daley said the Property Division budget covers our activities associated with the assets that are not part of the CSWS or our landfills. The budget is presented in two formats: a single page spreadsheet format, and then a presentation format -- those are Exhibits A and B respectively in this item. The assets that are not part of the CSWS or Landfill Division which are included in this budget are our electric generating peaking units; the land on which the Bridgeport waste-to-energy facility was built; 171 Murphy road; and several other smaller facilities. We are budgeting income for the division for fiscal ‘21 of \$7.8 million; that's a \$3 million reduction from the fiscal ‘20 budget, and that reduction is directly associated with the declining Jets’ capacity payments. In the draft budget, we slated \$5 million of that income to be transferred to the Tip Fee Stabilization Fund. That's preliminary, obviously, pending adoption of the CSWS budget and what those needs may evolve to. The \$5 million is the amount set forth in the term sheet with Sacyr Rooney for fiscal ‘21 anticipated to come from the Tip Fee Stabilization Fund, for what is called the “transition year” in that term sheet. The remaining \$2.8 million in operating income is slated to be transferred to the Property Division General Fund.

There are no contributions in the budget this year for the Jets Major Maintenance Reserve, or for our Severance Reserve. Both of those are considered fully funded at this point. The Jets Major Maintenance Reserve currently has approximately \$1.35 million, with no further contributions scheduled for this year or proposed for next year. We believe that will cover fiscal years 2021, ‘22, and ‘23, until those units are retired at the end of fiscal 2023, so the resolution does authorize the use of \$389,000 from the Jets Major Maintenance Reserve for fiscal ‘21 needs, and those are outlined in the presentation-format budget. The Severance Reserve presently has \$1.76 million in it and there was another \$800,000 to be transferred to that reserve from our November 2019 through June 2020 receipts. That will bring the Severance Reserve to about \$2.6 million, which we believe is nearly fully funded. In the Property Division, the operating revenue budget reflects the energy revenue from the Jets, and the lease income from the other facilities, as well as interest income from the reserves in the Division which are presently about \$17.1 million. The operating expenses primarily include the Division’s share of the Authority Budget, which we adopted last month, and the Jets operating charges which are also detailed on page 6 of the presentation-format budget. The resolution includes all of the language that we have historically incorporated to govern and provide oversight of the transfers to the Tip Fee Stabilization Fund as well as the cap, which is presently set at \$5 million for fiscal year 2021.

Director Painter said, under “property”, there is a \$10,500 item for “railroad maintenance.” What are we maintaining?

Mr. Daley said there is a railroad crossing near the recycling center, which we all cross, the Maxim Road railroad crossing -- we are required to maintain it.

Director Painter said, on page seven, there is a line item for reconditioning a spare free turbine. I didn't know we had one.

Mr. Kirk said the Jets are a critical revenue stream for us in the next few years. We anticipate that the continued operation of those units past 2023 will not occur, so we are balancing a capital plan for continued reliable operation with the understanding that they probably will either be abandoned or sold or parted out after 2023. A while back, we purchased a spare free turbine in an engineering yard sale, and in order to ensure that we maintain our maximum opportunities for capacity payments, on which our budget depends, we would like to recondition that turbine so it can be popped in in short order and we can return the unit to availability quickly and not impact our capacity payments.

The motion previously made and seconded was approved unanimously.

3. Review and Approve Draft Resolution Approving the Fiscal Year 2021 Landfill Division Budget.

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

RESOLVED: That the Fiscal Year 2021 Materials Innovation and Recycling Authority Operating Budget for the Landfill Division attached hereto as Exhibit A be adopted substantially in the form as presented and discussed at this meeting.

Mr. Daley said the Landfill Division budget reflects MIRA’s financial interests and activities in landfills that remain after our post closure obligations were transferred to DEEP pursuant to State statute. These remaining interests include the solar array installed on top of the Hartford Landfill, as well as our ongoing needs for the three landfills that we continue to have ownership interest in -- the Ellington, Waterbury, and Shelton landfills. The solar array is generating revenue from the sale of RECs to Eversource, which we share with the city of Hartford, and the energy itself is sold to the City for use in its Public Works complex. The Division is budgeted to generate \$28,000 of income, after payment of the revenue share to Hartford and operating expenses for the solar array, as well as funding our landfill insurance program. The Landfill Division also is picking up a small share of the Authority Budget adopted

last month. There would be a separate request made at a later committee meeting and board meeting for funding associated with Resource Rediscovery initiatives, which would be funded again from the Landfill Division reserves, which are presently in the neighborhood of \$1.8 million after we pay out the recent activity with respect to creating a condition assessment that estimated repair costs for the Facility.

The motion previously made and seconded was approved unanimously.

DISCUSSION

Mr. Daley reviewed the informational reports through October 31, 2019 with the Committee. Mr. Daley said the Authority budget has a year-to-date favorable variance of 13.4%. Mr. Daley said Property Division generated \$1.0 million in operating income in the month of October. Mr. Daley said year-to-date Property Division income is \$4.14 million, which is 10.2% better than budget.

Mr. Daley said that the CSWS generated \$4.95 million in operating revenue in the month of October which was 7% below budget. Year-to-date revenue is 10% below budget. Mr. Daley said on a year-to-date basis, waste deliveries are 11.7% under budget and energy generation is 9.6% under budget, and that recycling and metal sales continue to be challenged by commodity prices. Operating expenses are 17% under budget in October. The savings were primarily in waste transportation and drilling down into that a little more, it's savings in diversion expenses, which have not been incurred in the month of October or September either. Year-to-date operating expenses are 7% under budget. That puts CSWS income before prior year cost recovery at \$1.4 million year-to-date which is \$730,000 under budget.

In terms of the cash flow, the Property Division generated sufficient receipts to transfer about three-quarters of million dollars to the Tip Fee Stabilization Fund. That puts the total transfers to that fund at \$4.67 million year to date in comparison to the authorized transfers of \$8.7 million.

EXECUTIVE SESSION

Director 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 Director Painter and seconded by Director Fortuna. The motion was approved.

Director Hayden requested that the following people remain for the Executive Session in addition to the Committee members:

Tom Kirk
Laurie Hunt
Mark Daley
Peter Egan

The Executive Session commenced at 9:46 a.m. and concluded at 10:22 a.m. The meeting was reconvened at 10:36 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

Director Hayden requested a motion to adjourn the meeting, which was made by Director Fortuna and seconded by Director Hayden.

The meeting was adjourned at 10:37 a.m.

Respectfully submitted,

Kanchan Arora
Consultant