

**Finance Committee
September 9, 2020
Regular Telephonic Minutes**

A Regular Telephonic Meeting of the Finance Committee of the Materials Innovation and Recycling Authority was held on September 9, 2020. Present via video or audio conferencing were:

Members Present:

Scott Shanley
Carl Fortuna
Jim Hayden

MIRA Staff Present:

Mark Daley, Chief Financial Officer
Laurie Hunt, Director of Legal Services Peter Egan,
Director of Operations and Environmental Affairs
Jeffrey Duvall, Director of Budgets and Forecasting.
Cheryl Kaminsky, Manager of Accounting & Financial
Reporting

Public Present:

Mike VanDeventer, Mahoney Sabol & Company, LLP
Heather Siepmann, Mahoney Sabol & Company, LLP

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 July 8, 2020, Finance Committee Meeting.

Committee Chairman Shanley requested a motion to accept the minutes of the July 8, 2020 Finance Committee meeting. The motion to approve the minutes was made by Director Hayden and seconded by Director Fortuna.

The motion to accept the minutes was approved.

2. Review and Approve resolution regarding accepting the Authority's Fiscal Year 2020 Annual Financial Report.

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

RESOLVED: That the Board of Directors hereby accepts the Fiscal Year 2020 Annual Financial Report as discussed and presented in this meeting.

Mr. Daley said we are in the final stages of completing our independent audit for Fiscal Year 2020. Mike VanDeventer, partner in charge at Mahoney and Sabol, is here to take the Committee through the audit process, status and results. Mr. Daley added that, once that's complete, I will highlight MIRA's Fiscal Year 2020 annual financial performance trends and the content of the Draft Annual Report included with the package distributed to the Committee.

Mr. VanDeventer presented Mahoney Sabol's audit results for fiscal year 2020 including the scope of work included in the audit, auditor reports and required communications. Mr. VanDeventer noted that Mahoney Sabol is providing an unmodified "clean" opinion that MIRA's financial statements present fairly, in all material respects, MIRA's financial position and results of its operations. He further noted that the audit disclosed no instance of non-compliance with law or material weakness in internal control. Mr. VanDeventer noted that MIRA's fiscal procedures and controls were maintained throughout the Covid 19 work from home protocols. He further stated that the contingencies note remains to be completed and management representations signed before the audit is fully completed. Committee members inquired as to the extent of review of internal control and thanked staff for their efforts.

Mr. Daley informed the Committee that MIRA generated \$74.3 million in operating revenue in Fiscal Year 2020 on a consolidated basis for all divisions; that is 4.2% less than Fiscal Year 2019. The Authority had a large reduction in energy revenue, partially offset by increased service charges and other operating revenue. Most of the reduction in energy sales revenue is associated with reduced Jets capacity payments. The rest is reduced pricing of all CSWS energy products. Service charges increased with "across the board" increases in Tip Fee (members up \$11/non-participating up \$13) on MSW. The increase in other operating revenue ties most directly to Non-participating town tip fees for use of the Recycling Facility.

Mr. Daley said MIRA incurred \$74.1 million in operating expenses before depreciation in Fiscal Year 2020 -- that's also on a consolidated basis for all divisions -- which is a 9.8% increase from Fiscal Year 2019. MIRA had a large (\$10.7 million) increase in maintenance expense, partially offset by a \$4.9 million reduction in operations expense.

The increase in maintenance ties directly to the expired useful life of major components of the CSWS WTE facility. Effective Fiscal Year 2020, we no longer capitalize major maintenance activities on the boilers. They are instead expensed, which was \$12.2 million. The reduction in operations expense ties directly to substantially reduced diversions with the completion of repairs to Turbines 5 and 6.

MIRA generated \$153,000 in income before depreciation in Fiscal Year 2020, which is substantially less than Fiscal Year 2019, mainly because we are expensing, not depreciating, major maintenance activities. Likewise, MIRA incurred a \$12.5 million loss after depreciation, which is substantially better than Fiscal Year 2020 also because we are expensing and not depreciating major maintenance activities. Our depreciation expense decreased from \$39.1 million in Fiscal year 2019 to \$12.6 million in Fiscal year 2020. We also had substantial changes in net non-operating revenues and expenses.

In Fiscal Year 2019, we recognized \$11.5 million in net non-operating revenue tied directly to insurance proceeds from the turbine claims. In Fiscal Year 2020, we did not have substantial claims and instead made a final distribution of MID CT Project funds, resulting in net non-operating expense of \$1.7 million.

On the balance sheet, you will see our net position declined from \$101.7 million in Fiscal Year 2019 to \$87.5 million in Fiscal Year 2020. Most of this \$14.2 million reduction is within the Authority's capital assets being depreciated and not renewed. There was a relatively small reduction in the Authority's current assets (Cash, Accounts Receivable, Inventory, Prepaid expense) and all of this was due to reduced accounts receivable associated with the turbine claims. Cash associated with the Authority's active divisions (excluding MID CT) increased by \$2.8 million.

Mr. Daley mentioned a couple of points regarding content. The MDA addresses the unsuccessful conclusion of Resource Rediscovery and the current plan to undertake component refurbishments of CSWS were possible including potential transfer operations. In addition, notes to Financial Statements disclose a reduction in insurance coverage that has occurred over the last several years, including increased deductibles, absence of BI/EE and less than 100% coverage at certain tiers.

The motion previously made and seconded was approved.

3. DISCUSSION

Mr. Daley reviewed the informational reports through July 31, 2020 with the Committee. Mr. Daley said the Authority budget has a 12.6% favorable variance for the month of July 2020.

Mr. Daley said Property Division generated \$882,000 in operating income in the month of July 2020, which was 37.2% above budget.

Mr. Daley said CSWS generated \$5.93 million in operating revenue in the month of July 2020, which was 3% below budget. This was mainly because we recognized \$0.84 million in REC sales which offset deficits in other categories of operating revenue.

CSWS generated 21.7 million kWh of energy in July 2020, which was 17.7 % under budget. Electricity price was \$2.29 cents/kwh, which was 18.7% under budget. We received 42,784 tons of waste, which was 15.5% under budget.

CSWS operating expenses were \$4.39 million in July 2020, which was 12% under budget. CSWS generated \$1.54 million in operating income, which was 35% above budget.

In terms of cash flow, Property Division generated sufficient cash to transfer \$707,000 to the Tip Fee Stabilization Fund. CSWS receipts were sufficient to execute distributions to operating and improvements funds without a draw from Tip Fee Stabilization.

ADJOURNMENT

Committee Chairman Shanley adjourned the meeting at 10:18 a.m.

Respectfully submitted,

Kanchan Arora
Consultant