

**Finance Committee
September 1, 2021
Regular Minutes**

A Regular Meeting of the Finance Committee of the Materials Innovation and Recycling Authority was held on September 1, 2021. Present via video or audio conferencing were:

Members Present:

Bert Hunter
Jim Hayden
Susan Weisselberg
Carl Fortuna
Suzette DeBeatham-Brown (joined 10:20 a.m.)

MIRA Staff Present:

Mark Daley, Chief Financial Officer
Laurie Hunt, Director of Legal Services
Peter Egan, Director of Operations and Environmental Affairs
Cheryl Kaminsky, Manager of Accounting & Financial Reporting
Tina Mateo, Asst. Director of Budget & Cash Mgmt.
Roger Guzowski, Contract and Procurement Manager

Others:

Thomas Goldfuss, Whittlesey
Nicole Pelletier, Whittlesey
Lindsay Tessler, Whittlesey

PUBLIC COMMENT

Committee Chairman Hunter 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 7, 2021 Finance Committee Meeting.

Committee Chairman Hunter requested a motion to accept the minutes of the July 7, 2021 Finance Committee meeting. The motion to approve the minutes was made by Director Fortuna and seconded by Director Weisselberg.

The motion to accept the minutes was approved.

2. Resolution Regarding Acceptance of the Authority's Fiscal Year 2021 Annual Financial Report

Committee Chairman Hunter requested a motion on the above-referenced item. The motion was made by Director Weisselberg and seconded by Director Fortuna.

RESOLVED: That the Board of Directors hereby accepts the Fiscal Year 2021 Annual Financial Report as discussed and presented at this meeting.

Mr. Daley reviewed the Board of Directors Financial Report for the period ending July 31, 2021 with the Committee. We have been working with our new auditors from Whittlesey on the Fiscal year 2021 annual audit report. Our representatives from Whittlesey are with us today to discuss the status of the audit and next steps to complete it for acceptance of the September Board meeting. The bulk of the audit report was included in the Finance package including the Financial Statements, notes and Management's Discussion and analysis.

Mr. Daley said he will spend 10-15 minutes going over the financial results and trends and then Whittlesey will do the same on the conduct of the audit.

The Authority generated total operating and non-operating revenue of \$72.6 million in Fiscal year 2021 which is 3.0% less than Fiscal year 2020. Overall operating revenue declined by \$2.5 million or 3.4%. Non-operating revenue increased \$0.3 million or 51%. Mr. Daley noted a few of the key revenue drivers:

Covid 19 and increased tip fees resulted in both a 35.7% reduction in deliveries of non-participating town waste and migration from Waste Hauler contracts to lower priced interruptible and spot contracts. This caused a 36% reduction in other service charges. We also had a 24% reduction in the Jets capacity payment, partially offset by an increase in CSWS Class II REC sales, resulting in an overall 9.9% reduction in energy sales. Recycling sales declined with

settlement of the FCR contract matter and a reduction in Non-participating recycling deliveries. These recycling reductions were substantially offset by large increase in metal sales. Participating town Tip fees increased by 12.4% with the \$8 per ton increase in all Tiers of the Tip fee and a 2.5% increase in deliveries.

Mr. Daley informed the committee that Fiscal Year 2021 non-operating revenue mostly included increased reimbursement of legal fees associated with the FCR matter.

Mr. Daley said the Authority incurred \$89.4 million in operating and non-operating expenses in fiscal year 2021 which is a 0.3% increase from Fiscal year 2020. He said that our operating expenses before depreciation declined by \$0.9 million or 1.2% and noted a few key expenditure drivers.

Mr. Daley said the 3.5% increase in maintenance and utilities was driven by the \$3.3 million accrued cost to ultimately decommission the WTE facility which was partially offset by expenditure reductions imposed in response to Covid 19 and associated with reduced MSW deliveries. The 1.4% reduction in solid waste operations was driven by reduced contract operations expenses for the WTE facility, ash disposal and other expenses associated with reduced deliveries. These savings were partially offset by increased recycling expense, accrual of contractor severance, and insurance expense. The reduction in administrative expense can be traced mostly to the absence of spending on Resource Rediscovery following its unsuccessful conclusion.

Mr. Daley added that non-operating expenses decreased by 37%. Last year we had the large final distribution to Mid Ct Project towns and this year was the lower \$1.3 million settlement paid to FCR. Depreciation increased 16.1% as we are now reaching the end of useful life of the Jet operating units and the WTE's power block.

Mr. Daley noted that the Authority's operating and non-operating expenses exceeded operating and non-operating revenue by \$16.7 million, which is the reduction in net position shown graphically on the first page of Management's Discussion & Analysis.

On the balance sheet the reduction in net position breaks down into two parts: We had an \$11 million reduction in total assets driven by additional accumulated depreciation offset by an increase in cash and accounts receivable, and a \$5.7 million increase in liabilities driven by the accrual of ultimate decommissioning and contractor severance expenses associated with the transition to transfer activity.

Mr. Daley said all of the financial results and trends are laid out in Management's Discussion and Analysis which includes the required discussion of economic factors that may adversely affect the Authority over the years. We have been tracking a number of circumstances in this context including Resource Rediscovery, plant performance, non-disposal fee revenue, the CSWS business model and tip fee stabilization funding.

Mr. Daley invited comments from the Committee on Management's Discussion and Analysis. Committee Chairman Hunter provided several comments concerning the narrative addressing the transition to transfer activity following unsuccessful conclusion of Resource Rediscovery which will be incorporated in the final Management's Discussion and Analysis.

Mr. Daley thanked Cheryl Kaminsky and her staff for their hard work on the audit. He introduced the audit team from Whittlesey including Tom Goldfuss, Lindsay Tessler and Nicole Pelletier and thanked them for their hard work also.

Mr. Goldfuss summarized the status of the audit as near complete with an unmodified (clean) audit opinion anticipated. He presented all required audit communications and stated that the audit went smoothly with all required information provided timely and no disagreements with management. He further noted that there were no misstatements requiring correction. Mr. Goldfuss invited questions and comments from the Committee. Committee Chairman Hunter inquired if a note would be appropriate in the opinion letter highlighting the pending transition to transfer activity. Mr. Goldfuss commented that the transition is addressed in Management's Discussion and Analysis but stated he would review applicable guidelines and standards and follow up further if necessary to address in the opinion letters.

The motion previously made and seconded was approved.

3. Resolution Regarding Additional Projected Legal Expenditures.

Committee Chairman Hunter requested a motion on the above-referenced item. The motion was made by Director Hayden and seconded by Director Weisselberg.

WHEREAS, MIRA has entered into Legal Service Agreements with various law firms to perform legal services; and

WHEREAS, the Board of Directors has previously authorized certain amounts for payment of fiscal year 2022 projected legal fees; and

WHEREAS, MIRA expects to incur greater than authorized legal expenses related to several matters with its general counsel; and

WHEREAS, funding is requested at this time from a CSWS reserve not approved through the budget process;

NOW THEREFORE, it is RESOLVED: That the following additional amount be authorized for payment of projected legal fees and costs to be incurred during fiscal year 2022:

<u>Firm:</u>	<u>Amount:</u>
Halloran & Sage	\$400,000

and

FURTHER RESOLVED: That a budget of \$300,000 be established for payment of FY 22 legal fees and expenses incurred in connection with the lawsuit known as *Zurich American Insurance Company et al. v. NAES*; that \$300,000 from the CSWS Legal Reserve be available as the funding source for such budget; and that the President be authorized to expend up to that budgeted amount for payment of such legal costs.

Mr. Daley said additional resources are being requested for legal spending, mostly on a NAES matter. This item will make its way through both Finance and P&P as it involves use of reserves and legal spending. The resolution authorizes use of \$300,000 from the CSWS legal reserve. Mr. Daley said the additional \$100,000 can be accommodated within the adopted budget by transfer from surplus accounts.

The motion previously made and seconded was approved.

4. Resolution Authorizing and Funding a CSWS Decommissioning Cost Account for Fiscal Year 2022

Committee Chairman Hunter requested a motion on the above-referenced item. The motion was made by Director Hayden and seconded by Director Weisselberg.

WHEREAS: Section 702 of the Authority's Amended and Restated Bylaws provides that "After adoption of the final budget, the President shall ensure the proper allocation of the budget to an established chart of accounts. Budget appropriations allocated to the accounts of the Authority shall not be exceeded without the prior approval of the Directors. The President may transfer funds within the line items for each Project without limit as long as each line item of each Project and the grand total of each fund is not exceeded without the prior approval of the Directors."; and

WHEREAS: The Authority has a present need and otherwise desires to authorize the establishment and funding of a Decommissioning Cost account to initially be used for payment of consultant services needed to develop a scope of work and cost estimate to ultimately decommission certain Connecticut Solid Waste System facilities;

NOW THEREFORE, it is RESOLVED:

That the Board of Directors hereby authorizes establishment of a Decommissioning Cost account for the CSWS which may initially be funded in the amount of \$50,000 through transfer of surplus funds within the adopted line items of the CSWS Operating Budget; and may be further administered pursuant to the President's authority under section 702 of the Authority's Amended and Restated Bylaws.

Mr. Daley said the Board of Directors previously authorized a Request for Services to develop a scope and cost estimate for the future WTE facility decommissioning. The background documents included a \$50,000 estimate to be paid from adopted budgets. MIRA intends to fund this by transfer of adopted budget funds to a new decommissioning cost account. The language of the Authority by-laws cited in the resolution leaves a potential gray area in terms of our need for specific authorization to proceed in this way especially regarding establishing the new account so we would like to have the establishment of this new account and transfer of funds specifically approved.

The motion previously made and seconded was approved.

4. Informational.

Mr. Daley said the Authority budget for personnel and non-personnel services was over budget for the month of July by 49%. This is due to recognition of the annual crime and fiduciary policy premium in July. This variance will be more than overcome in the next several months.

Furthermore, Mr. Daley said the Property Division generated \$501,000 in operating income in July, which was 15.7% below budget. This was due to a large Jet Fuel purchase at the beginning of the year. Property Division revenue was 4.7% above budget. CSWS generated

\$5.97 million in operating revenue in July, which was 9.4% above budget. MIRA recognized \$0.71 million in REC sales in July. Non-participating tip fees were 52% above budget, which nearly offset the 10% deficit in participating town Tip Fees.

Operating expenses came in at \$4.7 million, which was 11.2% under budget. Mr. Daley said the new recycling facility and metal contracts are doing better than budget and we had initial savings in NAES contract operating charges. CSWS income was \$1.1 million above budget to start the year off.

MIRA received 41,192 tons of waste, which is 3.5% under budget and generated 20.6 million kwh of energy (10.1% under budget). There are several changes to the report format for fiscal year 2021 to better report on the new recycling and metals contracts. The only recycling facility revenue now is tip fees from non-participating towns, which is shown on the recycling summary. The recycling summary also includes transportation expenses from the transfer stations, for which there is a backup detail report, and MRR's contract operating expense, for which there is an additional backup detail report.

MIRA metals recovery report is now focused only on post combustion ferrous and maintenance metals, as MIRA has a revenue share under the new contract. A separate contract for pre-combustion ferrous is essentially providing for the transportation of this material to a Covanta plant for further processing and recovery, in which we do not have a revenue share. This expense is captured under CSWS waste transportation.

In terms of cash flow, the Property Division generated sufficient receipts to transfer \$639,422 to the Tip Fee Stabilization Fund. CSWS drew \$196,635 from the fund to support transfers to its operating and major maintenance accounts.

5. Executive Session.

Committee Chairman Hunter requested a motion to go into Executive Session to discuss Pending RFPs and Feasibility Estimates and Evaluations relative to prospective public supply contracts, including MIRA RFP's and prospective contracts for Connecticut Solid Waste System transfer facilities, transportation and disposal of acceptable solid waste at alternate disposal facilities and operation of MIRA's Jets and the potential impact of same upon MIRA operating and capital budgets and its Municipal Services Agreements.

Committee Chairman Hunter asked Mr. Daley, Mr. Egan and Ms. Hunt to participate in the discussion. The motion was made by Director Hayden, seconded by Director Weisselberg, and unanimously approved.

ADJOURNMENT

Executive Session began at 10:20 and ended at 11:01. Committee Chairman Hunter noted that no votes were taken in the Executive Session and declared the meeting adjourned.