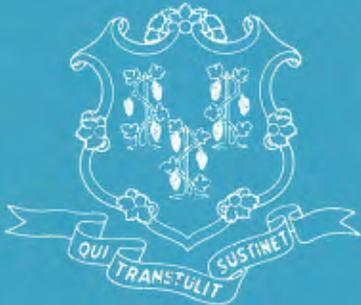


Quasi-Public Agencies In Connecticut

Connecticut
General Assembly



LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE

JANUARY 1988

CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 as the Legislative Program Review Committee to evaluate the efficiency and effectiveness of selected state programs and to recommend improvements where indicated. In 1975 the General Assembly expanded the committee's function to include investigations and changed its name to the Legislative Program Review and Investigations Committee. During the 1977 session, the committee's mandate was again expanded by the Executive Reorganization Act to include "Sunset" performance reviews of nearly 100 agencies, boards, and commissions, commencing on January 1, 1979.

The committee is composed of 12 members. The president pro tempore of the senate, the senate minority leader, the speaker of the house, and the house minority leader each appoint three of those members.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	iii
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CHAPTER I BACKGROUND

Scope.....	1
History of Quasi-Public Agencies.....	1
Definition of Quasi-Public Agency.....	2
Authorities Included in Study.....	2
Selected State Government Requirements and Controls.....	3
Budgeting.....	3
Personnel.....	5
Bonding.....	5
Personal Property Acquisition.....	9
Real Property Acquisition.....	9
Affirmative Action.....	10
Contract Compliance (nondiscrimination).....	10
Uniform Administrative Procedure Act.....	11
Code of Ethics.....	11
Freedom of Information.....	12
Auditors of Public Accounts.....	13
Office of State Comptroller.....	13
Office of State Treasurer.....	14
Applicability to Authorities.....	14

CHAPTER II FINDINGS AND RECOMMENDATIONS

Enabling Legislation.....	17
General Powers of Authorities.....	18
Board of Directors.....	19
Internal Controls.....	22
External Controls.....	25
Reporting Requirements.....	28

APPENDICES

A. Description of Authorities	
Development Authority.....	33
Product Development Corporation.....	39
Health and Educational Facilities Authority.....	45
Higher Education Supplemental Loan Authority.....	51
Housing Finance Authority.....	57
Housing Authority.....	65
Resources Recovery Authority.....	69
Hazardous Waste Management Service.....	77

B. Letter from Ethics Commission.....	83
C. Responses to Report	
Health and Educational Facilities.....	87
Hazardous Waste Management Service.....	91
Resources Recovery Authority.....	97

EXECUTIVE SUMMARY

The Legislative Program Review and Investigations Committee's study of quasi-public agencies examined how such agencies have been used in Connecticut and in what ways they differ from regular state agencies. Rather than scrutinizing the operations of each quasi-public agency, as in a performance audit, the committee sought to determine if the quasi-public format of these agencies presented an effective means for carrying out public policy. State oversight and control over these agencies was examined to determine if standards existed or could be developed for guiding their operations.

Although there is no widely accepted definition of what constitutes a "quasi-public" agency, for the purpose of this study some important attributes were identified that yielded a list of partly-private, partly-public agencies operating in the state. These attributes include existence as a government corporation created by state statute for a specific public benefit, a statewide service area, governance by a separate board of directors, generation and expenditure of funds outside of the state's appropriations process, and independence from most state government administrative and financial controls.

Through legislative research and personal interviews, it was determined that the Connecticut quasi-public agencies, or "authorities," were deliberately created outside of conventional state government to minimize time-consuming government controls and procedures. Operating in a private sector environment where market conditions, technologies and financial needs are ever changing, authorities require the flexibility and autonomy afforded by their quasi-public status.

To help assess the relative efficiency of this quasi-public form of government, a series of state requirements and controls affecting state agencies were identified and analyzed in terms of their impact on agencies. The program review committee found that the requirements and controls provide a means for external review of an agency's actions, but are very time-consuming. The committee concludes that when an entity is operating in a financial market environment, the benefits of state government controls are outweighed by the need to respond rapidly to changing market conditions. In the committee's view, under these circumstances, quasi-public agencies are an effective means of carrying out public policy.

However, the program review committee believes that certain standards can and should be imposed on all independent authorities. These standards are proposed in the form of recommendations aimed at clarifying the basic nature of quasi-public agencies and ensuring accountability to the state without jeopardizing the freedoms with which they were intentionally created. These recommendations affirm the ultimate responsibility of the board of directors in guiding the operations of an authority.

RECOMMENDATIONS

1. The following language should be included in the enabling legislation of every quasi-public agency:

- a) "There is hereby created a body politic and corporate, constituting a public instrumentality and political subdivision of the state of Connecticut, established and created for the performance of an essential public and governmental function, to be known as ..."
"The _____ shall not be construed to be a department, institution, or agency of the state."
- b) "The authority shall continue as long as it shall have bonds or other obligations outstanding and until its existence is terminated by law. Upon termination of the existence of the authority, all its rights and properties shall pass to and be vested in the State of Connecticut."

2. The following general powers should be given to each quasi-public agency:

- a) to adopt an official seal;
- b) to sue and be sued, plead and be impleaded;
- c) to charge and collect fees for its services;
- d) to receive and accept aid or contributions including money, property, labor, and other things of value from any source;
- e) to issue bonds, bond anticipation notes, and other obligations of the authority for any purpose and amount permitted under its enabling legislation and to fund and refund such obligations;
- f) to make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under its enabling legislation -- including such professional services (e.g. financial consultants, bond counsels, underwriters, technical specialists, etc.) as the board of directors shall deem necessary;

- g) to invest any funds not needed for immediate use or disbursement -- including reserve funds -- in obligations issued or guaranteed by the United States of America or State of Connecticut (including the state's short-term investment fund) and in other obligations which are legal investments for savings banks in this state;
- h) to employ such staff as it shall deem necessary and fix their qualifications, duties, and compensation; and
- i) to establish and adopt regular procedures for exercising its power under its enabling legislation not in conflict with existing statutes.

3. Each quasi-public agency shall have a board of directors. The members shall include: the secretary of the Office of Policy and Management or his/her designee; the state treasurer or his/her designee; the commissioner of each related agency; two nonstate members knowledgeable in matters of finance if the board is empowered to issue bonds; and the remaining membership to consist of persons knowledgeable and experienced in relevant fields.

The following restrictions shall apply to all quasi-public agencies:

- a) a majority of the full board must be made up of nonstate employees;
- b) all terms of non-ex officio members appointed by the governor shall be staggered; and
- c) the chairperson of each board shall be appointed by the governor and confirmed by the General Assembly.

4. The powers of the authority shall be vested in and exercised by a board of directors.

5. The board of directors may delegate to three or more board members, at least one of whom shall be a non-state employee, such powers and duties that the full board of directors may deem proper.

6. Each authority's board of directors shall adopt written procedures for:

- a) adopting an annual budget and a plan of operations that, at a minimum, require board approval before they become effective;

- b) hiring, dismissing, promoting, and compensating staff (such procedures and policies shall require board approval before a position can be created or a vacancy filled);
- c) acquiring real and personal property and personal services (such procedures shall, at a minimum, require the board to approve all expenditures in excess of \$5,000);
- d) obtaining professional services (e.g., financial advisors, bond underwriters, legal counsel, auditors, etc.) (at a minimum such procedures shall require the authority to solicit proposals at least every three years for each service it uses);
- e) issuing and retiring bonds, bond anticipation notes, and other obligations of the authority;
- f) awarding loans, grants, and other funds (at a minimum, such procedures shall identify eligibility criteria, the application process, and the role played by the authority's staff and board of directors); and
- g) using surplus funds (such procedures and policies shall limit the use of surplus funds to statutorily authorized purposes).

7. Authorities shall not be subject to the provisions of the state's Uniform Administrative Procedures Act. All procedures adopted by an authority's board of directors, whether required by state statute or administrative convenience, shall be by a two-thirds vote of its statutory membership. The vote cannot take place until at least 45 days notice of the board's intended action has been published in the Connecticut Law Journal, during which time the proposed procedures shall be available to interested parties. From the date of notice to the date of board action, written public comment may be submitted for consideration by the board.

8. Each authority shall adopt a written affirmative action policy that shall be reflected in its personnel policies and procedures. In its annual report, the authority shall include its affirmative action policy, the composition of its work force by race, sex, and occupation, and a description of all authority activities in the past year to effectuate its affirmative action policy.

9. The filing of statements of financial interests with the State Ethics Commission should be required of all executive directors, other positions as designated by the board, and all board members of quasi-public agencies.

10. Quasi-public agency board members and staff shall be subject to the same prohibited activities as state employees.

11. Authorities that are created as political subdivisions of the state other than municipalities shall be subject to sections 4-114a, 4-114b, and 4-114c of the Connecticut General Statutes regarding contract compliance and shall not be construed as state agencies under contract compliance regulations and shall not be subject to C.G.S. Sec. 4-115 regarding unlawful purchases.

12. Before an authority can issue bonds for which the state will have a contingent liability, the state treasurer must make a finding that the projects to be supported by the bonds are financially self-sufficient.

13. There shall be an independent audit of the authority's compliance with its regulations and procedures for affirmative action, personnel practices, purchasing of goods and services, use of surplus funds, and distribution of loans, grants, and other funds. The compliance audit must include a review of all, or a representative sample of, the authority's activities over the past year in each of the areas identified. The audit shall be annually filed with the governor, the General Assembly's committee of cognizance, and the state auditors of public accounts.

14. All authorities shall file with the governor, the General Assembly's committee of cognizance, and the state auditors of public accounts an annual report for the preceding fiscal year, no later than ninety (90) days into the next fiscal year. At a minimum, the report must provide:

- a) a listing of all bond issues for the previous year including the issue's financial advisor and underwriters; whether the issue was competitive, negotiated, or privately placed; and the issue's face value and net proceeds;
- b) a listing of all projects receiving financial assistance during the previous year, including each project's purpose, location, and the amount of funds provided by the authority;
- c) a listing of all outside individuals and firms receiving in excess of \$5,000 in the form of loans, grants, or payments for services;
- d) a balance sheet showing all revenues and expenditures;
- e) the cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability;

- f) the affirmative action policy statement, a description of the composition of the authority's work force by race, sex, and occupation and a description of the authority's affirmative action efforts; and
- g) a description of planned activities for the forthcoming fiscal year.

CHAPTER I BACKGROUND

CHAPTER 1

Scope

This study of quasi-public agencies was undertaken to determine how such agencies have been used in Connecticut, if they present an effective means for carrying out public policy, and whether standards can be established to guide their operation.

History of Quasi-Public Agencies

The phrase "quasi-public agency" is a relatively new term for public corporations. In legal and political science literature, public corporations are most often referred to as authorities.

Public authorities in the United States developed in response to state debt limitations established in the 19th century. As the nation expanded, state-backed debt was used to finance railroads, turnpikes, and canals, among other projects. With the depression of the 1830s came widespread default on these debts, and in response, by 1857, more than half of the states had constitutional limitations on their debt levels. The trend toward state debt limitations continued after the Civil War as many newly formed states included debt restrictions in their constitutions.

In order to stay within their debt limitation, states looked for ways to raise funds for public projects without generating state debt. The development of public authorities empowered to issue revenue bonds offered the means to accomplish this goal. Authorities were established as independent government corporations and empowered to issue revenue bonds to finance projects. Because these bonds were backed by the authority rather than the state's full faith and credit, authority bonds were not considered part of the state's debt.

The depression of the 1930's strained the ability of states to finance programs and greatly increased the use of authorities as financing mechanisms. This growth was accelerated in the post World War II period as the demand to meet a backlog of public works needs far outdistanced the debt limits of many states.

Unlike many other states, Connecticut does not have a constitutional limit on debt, therefore, authorities were not created in this state solely as a means of circumventing such restrictions. The major contributing factor to establishing authorities here was their organizational location outside the structure of state government. This meant that authorities were able to avoid many of the requirements and controls imposed on governmental agencies and, thus, were able to respond to problems and opportunities in a faster and more efficient manner than a comparable state agency.

The ability to respond rapidly is particularly important given that the type of authorities established in Connecticut operate in a private sector environment of changing financial needs and market conditions. The flexibility offered by authorities, coupled with the fact they provide a mechanism for issuing tax-exempt bonds to finance private benefit projects deemed by the legislature to be in the public interest, made them an attractive alternative to regular state agencies. Also a contributing factor to their establishment in Connecticut, though not as crucial as in many other states, was the fact that much of the debt incurred by authorities is not carried on the state's books.

Definition of Quasi-Public Agency

There is no widely accepted definition of the term "quasi-public agency". The phrase "quasi-public" is used to refer to a multitude of institutions that are established as government corporations to fulfill a public purpose. These agencies exist at many levels of government (e.g., interstate, state, regional, and local) and perform a variety of functions including the financing and operation of transportation systems, housing projects, hospitals, and educational institutions.

For the purpose of this study, a quasi-public agency has been defined as any organization that: is a government corporation created by state statute to provide a specific public benefit; has a statewide service area; is directed by a separate governing board; generates and expends funds outside of the state's appropriations process; and is operated independent of most state government administrative and financial controls.

Authorities Included In Study

Applying this definition to entities in Connecticut, the following were identified for inclusion in this study:

- Connecticut Development Authority (CDA)
- Connecticut Product Development Corporation (CPDC)
- Connecticut Health and Educational Facilities Authority (CHEFA)
- Connecticut Higher Education Supplemental Loan Authority (CHESLA)
- Connecticut Housing Finance Authority (CHFA)
- Connecticut Housing Authority (CHA)
- Connecticut Resources Recovery Authority (CRRA)
- Connecticut Hazardous Waste Management Service (CHWMS)

One element common to all these authorities, except the Connecticut Hazardous Waste Management Service, is the power to use money generated from the sale of bonds to provide financial assistance to private interests for the promotion of a public

benefit. Even in the case of the management service, the original legislative proposal that lead to its creation included the power to issue bonds.

Appendix A contains descriptions of all eight authorities included in this study. Each description summarizes the purpose, powers, and activities of each authority. Also provided are financial data showing operating expenses and an approximation of the flow of funds into and out of the authority.

It should be noted that the John Dempsey Hospital Finance Corporation was created after this study was begun (P.A. 87-458) and, therefore, no determination was made as to the applicability of the aforementioned definition to that corporation.

Selected State Government Requirements and Controls

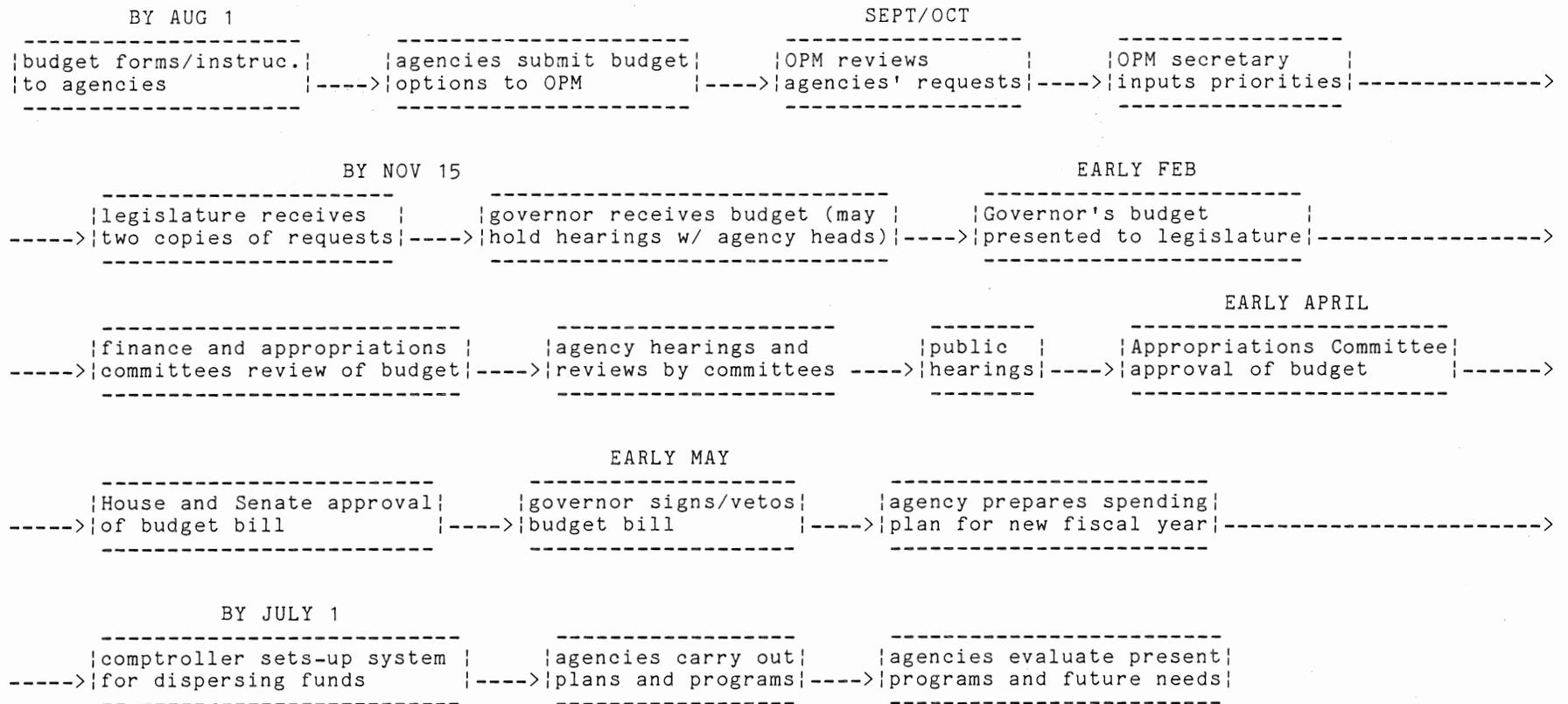
As previously noted, the program review committee has concluded that the major factor contributing to the establishment of authorities as independent entities is the belief that if created as state agencies, state requirements and controls would prevent the authorities from responding rapidly enough to be effective in an environment of changing financial needs and market conditions. To understand this argument, the committee identified a series of requirements and controls affecting state agencies, analyzed how those operate, and determined their applicability to each of the authorities in this study.

The requirements and controls identified by the committee are described below. Following these descriptions is a table indicating the relationship of each control to each authority.

Budgeting. Clearly, the most significant control over the operations of state agencies is the budget process. The state budget process can be divided into four main phases: formulation and submission to the legislature, legislative review and appropriation, implementation, and agency evaluation review. The process takes nearly a year to complete and, as Figure 1 illustrates, includes 17 steps and involves agency staff, the Office of Policy and Management (OPM), the governor, and the legislature.

Phase 1 involves the formulation of agencies' budgets and their submittal to OPM, review by OPM, creation of the governor's budget, and the presentation of the budget to the General Assembly. Phase 2 includes six steps and consists of the legislative review of the governor's budget. Once the governor signs the budget into law, Phase 3 occurs. This phase involves the monitoring and recording of transactions. The final phase of the process is the evaluation by agencies of their present programs and future needs.

FIGURE 1. State Budgeting Process



4

Personnel. State agencies are subject to the state civil service system when filling staff positions. The exact procedure followed by state agencies depends on whether the position being filled is noncompetitive or competitive, or requires formulation of a new job title. Generally, noncompetitive positions provide support services such as clerical and maintenance, while competitive positions are professional and technical.

The process for filling noncompetitive positions is relatively straightforward. Candidates are screened and a person is then selected from either a list provided by the Personnel Division of the Department of Administrative Services (DAS) or from applications submitted to the hiring agency by individual candidates. The entire process takes approximately 30-40 days.

The process for filling a competitive position is more time consuming because it requires selecting candidates from a list established on the basis of an examination administered by DAS. The details of the process are illustrated in Figure 2. As the figure shows, it can take up to 200 days to fill a competitive position.

Bonding. The bonding process consists of two distinct phases. The first phase deals with formulating the project to be bonded and obtaining approvals from the governor and the legislature. Figure 3 outlines this phase.

The process starts with an agency submitting an initial request for a capital project to the Office of Policy and Management. As Figure 3 shows, a request must pass through the executive and legislative approval cycles and then go on to the governor within a bond bill(s) for his or her signature. The phase ends at the Bond Commission approval stage. The Bond Commission has the final authority to allocate funds for specific capital projects. Phase One takes approximately one year to complete.

The second phase, illustrated in Figure 4, of the state's bonding process occurs once the Bond Commission approves the allocation of funds to specific projects. The actual issuance of bonds to the public takes place after the commission makes this determination.

Figure 2. State Hiring Process For Competitive Positions.

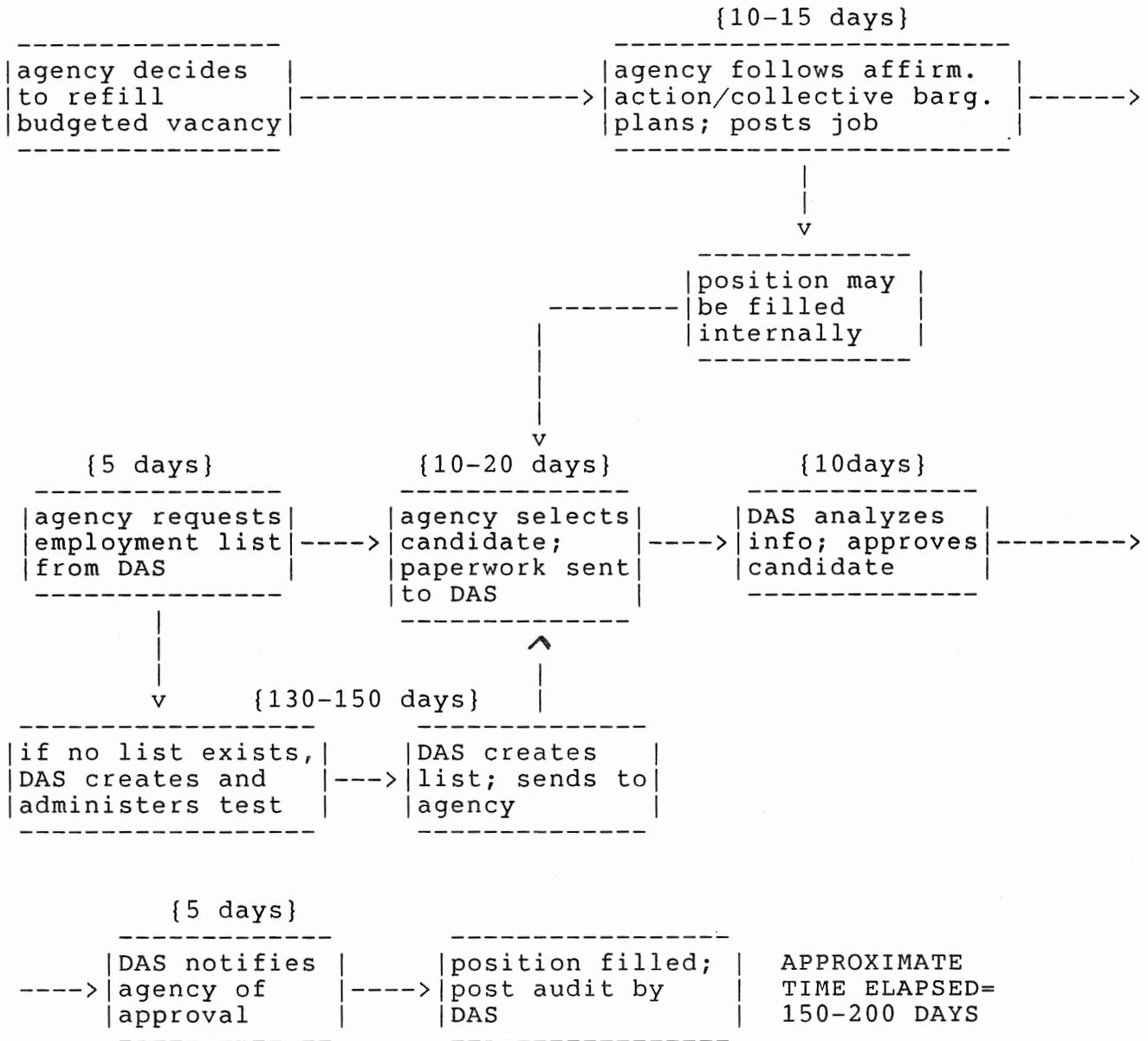


Figure 3. State Bonding Process (Phase One).

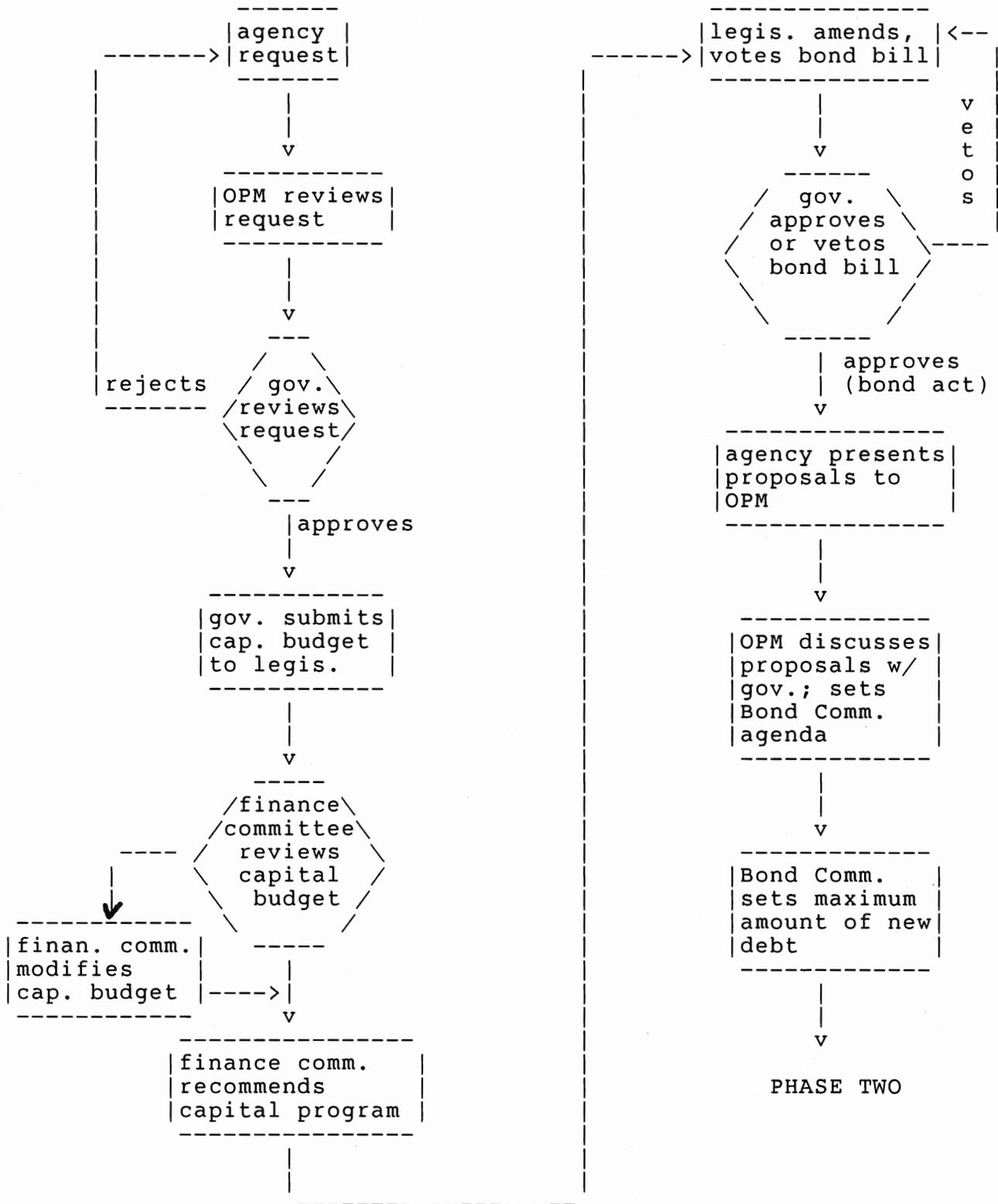
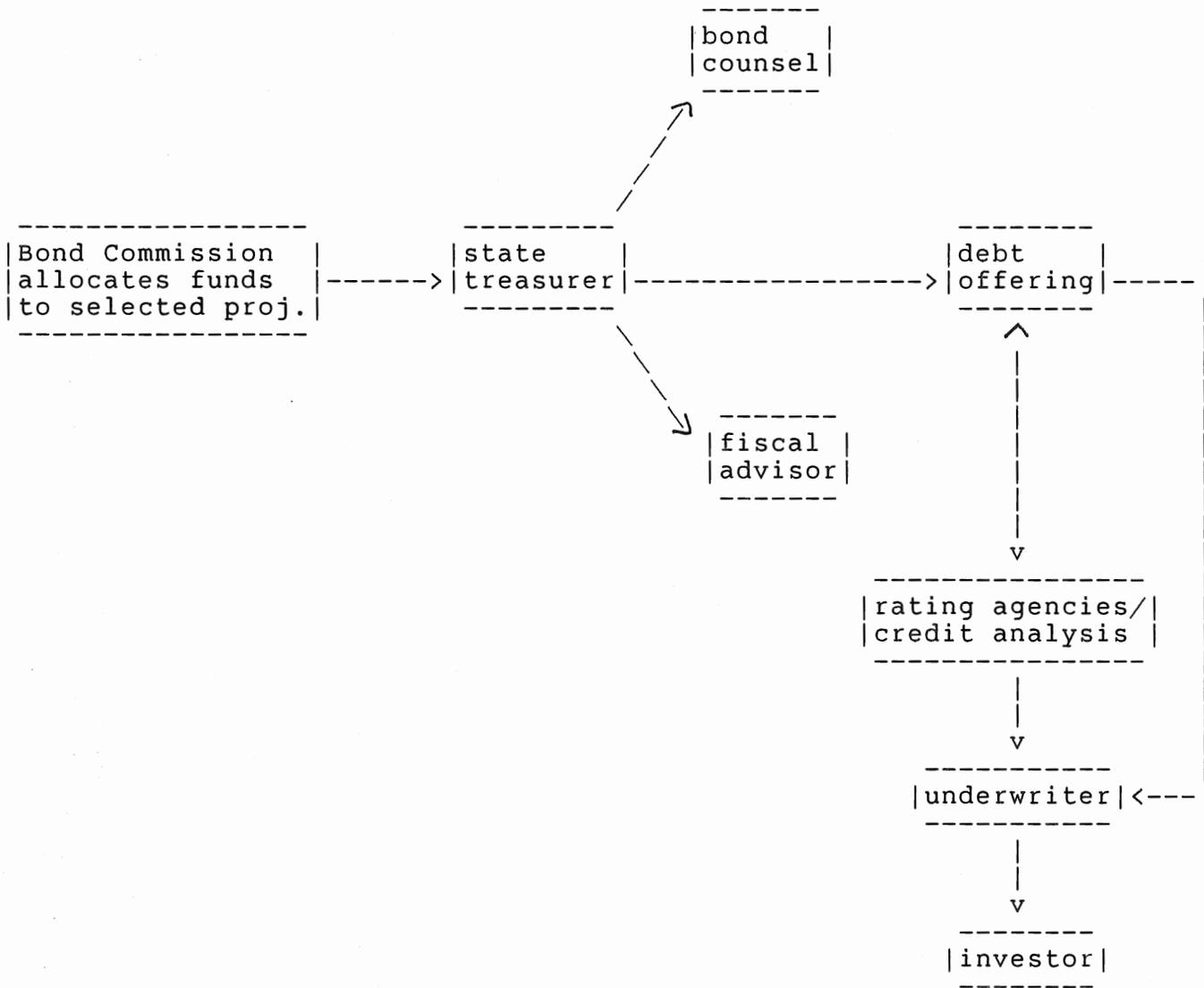


Figure 4. State Bonding Process (Phase Two).



Personal property acquisition. State agencies procure or contract for personal property items in accordance with C.G.S. Sec. 4-112 and the purchasing manual developed by the Department of Administrative Services' Bureau of Purchases. Agencies are permitted to expend up to \$400 quarterly for nonrecurring or emergency supplies without having to formally solicit bids from outside suppliers. Before making a purchase, however, agencies must check with the DAS Central Warehouse to see if the needed items are available or if DAS has a contract with an outside supplier for such items. If neither is the case, an agency may make the purchase on its own.

For all purchases between \$401 and \$1,500, an agency may solicit its own quotes. All quotes must be submitted to DAS which can either authorize the requisition and notify the comptroller's office, or solicit other bids.

Agencies purchasing items costing in excess of \$1500 are required by DAS to solicit competitive bids from suppliers in the open market. For purchases over \$7,500, sealed bids are required. Public notice of these bids must be inserted in at least one newspaper for a minimum of five calendar days before the final date of submitting bids.

Upon approval by DAS and the comptroller, the purchase may be made. All purchase orders over \$400 are reviewed and processed by the comptroller. Once the comptroller approves the purchase order, a check is sent to the treasurer, who releases the money into the specified agency's bank account.

Real property acquisition. State agencies identify their space needs and request leases or capital projects to meet them, in accordance with the process outlined in state statute (C.G.S. Sec. 4-26b). Agency requests are reviewed by the Department of Public Works (DPW) for technical feasibility and accuracy of cost estimates. The Office of Policy and Management also evaluates the requests for consistency with agency programs and assesses their financial and policy implications. The governor then recommends a capital budget to the legislature which, through the approval of the budget and various bond acts, determines how an agency's space needs will be met. Once authorized, the securing of real property by an agency, whether by lease, purchase, or construction, is primarily the responsibility of DPW.

A 1986 study by the program review committee found that the leasing process took an average of 15.5 months. There are no data on the length of the purchasing process. A 1985 study by the accounting firm Deloitte, Haskins, and Sells for the General Assembly's Finance, Revenue, and Bonding Committee found that it generally took two years just to go from the legislative approval cycle to the start of construction when building was the method chosen for meeting a space need. Overall, the state's process for

acquiring real property includes several governmental entities and is very time consuming.

Affirmative action. Under C.G.S. Sec. 46a-68(a), all executive branch agencies of the state must develop and implement affirmative action plans and designate affirmative action officers. The plans, prepared in accordance with regulations promulgated by the Commission on Human Rights and Opportunities, must be filed semi-annually on the dates specified in the regulations, unless an agency petitions the commission for annual filing status.

The Commission on Human Rights and Opportunities is statutorily charged with reviewing and formally approving or disapproving the affirmative action plans of state agencies. An agency whose plan is disapproved may be prohibited from hiring or promoting staff.

The judicial and legislative branches are not statutorily required to abide by affirmative action requirements, but have undertaken such activities on their own.

Contract compliance (nondiscrimination). State contract compliance provisions pertaining to nondiscrimination are set forth in C.G.S. Sec. 4-114a through 4-114c. The Commission on Human Rights and Opportunities administers and enforces the majority of these provisions according to regulations they adopt. The statutes also provide for a Minority Business Enterprise Review Committee to assess contract awards, bonds, and loans made or guaranteed by the state or its political subdivisions other than municipalities, for compliance with state statutes regarding minority business enterprises.

Entities subject to these provisions must include a specific nondiscrimination clause in all of their contracts. This clause requires the contractor to agree not to discriminate in the performance of the contract, and to make a good faith effort to employ minority business subcontractors and suppliers if the contract is for a public works project. The clause also requires the contractor to provide the commission with any information it may request concerning employment practices of the contractor.

Other responsibilities of a contractor subject to contract compliance are spelled out in the commission's regulations (Regs., Conn. State Agencies Sec. 4-114a-2), and consist mostly of reporting requirements and directives.

Responsibilities of agencies awarding a contract include notification to the commission regarding the contract award within 10 days of execution, consultation with the commission or a review of the Connecticut Law Journal to be sure the contractor is not

under a notice of noncompliance and thereby ineligible to receive a contract, submission of periodic reports to the commission regarding employment and contracting practices, and aggressive solicitation of business from minority business enterprises.

Uniform Administrative Procedure Act (UAPA). Each entity subject to the UAPA must develop regulations that describe the entity's organization and the rules that govern its formal and informal procedures. The process for adopting regulations, which is spelled out in state statute (C.G.S. Chapter 54), requires the entity to provide notice of intended action, prepare a cost estimate of the impact on the state or any municipality, afford interested parties an opportunity to comment, and submit proposed regulations to the attorney general and the General Assembly's Regulation Review Committee for approval.

According to a 1980 study by the staff of the program review committee, the entire regulation making process takes approximately eight months to complete. The result is that entities subject to the UAPA have considerably less flexibility with respect to their operations than those not subject to the act.

Code of Ethics. The state's Code of Ethics consists of two primary directives: statements of financial interests and prohibited activities. The statutes require all statewide elected officers, members of the General Assembly, department heads and their deputies, and other specified state employees in the executive branch to annually file a statement of financial interests with the State Ethics Commission. The same persons, and all other public officials and state employees except judges, must also abide by certain prohibited activities both while in state service and for a certain time following state service.

Financial interests statements must include information for the preceding calendar year regarding the individual required to file, his or her spouse, and any dependent children living in the individual's home. This information includes the names of all businesses with which the person is associated; the types or sources of income over \$1,000 (not amounts); the names of all clients, patients, and customers who provide more than \$5,000 net income to the individual or to a business in which the individual has an interest (unless such disclosure is prohibited by law or a professional organization, etc.); the names of all securities with a fair market rate of more than \$5,000 (not the value); the location of all real property; the names and addresses of all creditors individually owed more than \$10,000; and any leases or contracts with the state.

Information filed with the State Ethics Commission regarding clients, patients, customers, and names of creditors is sealed and confidential, only to be used if a complaint is filed and the commission votes that the complaint warrants the unsealing of such information. Other parts of the financial interests statements

are public information. Also, anyone required to file a statement who is unable to provide certain information may petition the commission for a waiver of the requirement.

The prohibited activities section of the Code of Ethics identifies what activities are prohibited and which state positions are covered. The section specifies that public officials and state employees (except judges) are prohibited from having a financial interest in, or engaging in, any business or professional activity that is in substantial conflict with the discharge of his or her duties. These persons shall not accept other employment that could influence their judgment relating to their official duties or induce them to disclose confidential information known by them by reason of their official duties.

Other activities that are forbidden include the use of state authority or the disclosure of confidential information for personal financial gain; the acceptance of any fee or other thing of value in return for appearing on behalf of another person before certain state entities; the solicitation or acceptance of a gift, loan, reward, or promise of employment based on any understanding that an official action or judgment of the official or employee would be influenced thereby; and the entering into a contract, valued at \$100 or more, with the state by a public official or state employee or his business unless the procedures used are open and public.

Former executive or legislative branch officials and state employees are prohibited from disclosing confidential information acquired by reason of their official duties for financial gain for either themselves or another person (C.G.S. Sec. 1-84a). Former executive branch officials and state employees are prohibited, for a period of one year after leaving state service, from representing anyone other than the state before their former department or agency. They may never represent anyone other than the state concerning particular matters in which they participated personally and substantially while in state service and in which the state has a substantial interest.

Former public officials and state employees who were substantially involved in negotiating or awarding, or supervising the negotiation or award of, a contract obliging the state to pay \$50,000 or more, may not accept employment with the recipient of that contract for at least one year after the date of their resignation, if the contract was signed within the year before their resignation. The State Ethics Commission further enumerates in its regulations approximately 50 senior executive branch positions in designated agencies whose present or former incumbents are forbidden to engage in certain employment activities.

Freedom of Information. The applicability of the Freedom of Information Law (FOI) to an entity means that certain requirements are imposed on its meetings and records. Being subject to FOI

means that all records maintained by an entity, except those specified in C.G.S. Sec. 1-19(b) or otherwise excluded by state or federal law, must be available for public inspection. Examples of records exempted from public disclosure by Section 1-19(b) include trade secrets, tax records, and the contents of real estate appraisals and engineering reports relative to the acquisition of property.

With respect to meetings, an entity must file a schedule of its meetings for the calendar year with the secretary of the state by January 31. Except for executive sessions, all meetings must be open to the public, and the agenda must be available for at least 24 hours in advance.

An executive session can occur upon an affirmative vote of two-thirds of the members, if the discussion at the portion of the meeting from which the public will be excluded pertains to: the hiring, evaluation, or dismissal of an employee; strategy and negotiation related to pending claims and litigation; the lease, sale, or purchase of real estate that would likely cause an increase in price; and any matter that would result in the disclosure of records or information that are exempt from public access by C.G.S. Sec. 1-19(b).

Auditors of public accounts. The auditors of public accounts audit the accounts of all state government agencies authorized to receive and/or expend state funds and all other institutions supported by the state. Any unauthorized, illegal, irregular, or unsafe handling or expenditure of state funds is reported to the governor, the comptroller, the Joint Committee on Legislative Management, and the program review committee. The auditors are also authorized to conduct performance audits of all state agencies as well as quasi-public authorities politic or corporate to determine the effectiveness of their operations.

Office of the State Comptroller. The Office of the State Comptroller manages the state's general ledger and is responsible for developing and implementing the state's payroll, accounting, and budgeting systems.

The comptroller is responsible for managing the payment of all wages and salaries of state employees as well as administering various health care, insurance, and tax requirements. The office receives transmittal documents with payroll amounts for every employee from each state agency on a biweekly basis. Specific deductions and benefits are calculated by the agency's personnel officer so the comptroller's office has only to verify that funds are available to cover agency payroll claims. After the comptroller's office writes the agency checks, the state treasurer then signs the checks and sends them back to the comptroller for distribution to the particular agency.

The comptroller's office also pre-audits agency service contracts and purchase orders. After receiving a requisition form

and purchase order from an agency, the Central Accounts Payable Division reviews the validity, propriety, and legality of an agency's submitted claim. Following this review, the Central Accounting Division ensures that no appropriation is obligated or expended in excess of its legal limit. Once the process is completed, the comptroller's office sends a check to the treasurer's office, which releases the money into the specified agency's bank account, signs the check, and sends it back to the comptroller for disbursement.

Office of the State Treasurer. The state treasurer receives, disburses, manages, invests, and borrows all funds of the state. In general, the office functions as a bank for state agencies and those institutions either authorized or required to use the services provided by the treasurer. In order for the treasurer to release any state funds, however, a review by the comptroller must first be completed. Once the comptroller approves the fund disbursement, the treasurer signs the corresponding check and sends it to the comptroller who ensures crediting of the proper account.

In summary, the requirements and controls described above dictate a process to be followed when an agency conducts its business. Even more important, the requirements and controls also provide a means for external parties, such as the legislature, the Department of Administrative Services, and the Office of Policy and Management to review or approve decisions and actions of an agency.

Applicability to authorities. It should be noted that although these requirements and controls were generally initiated to prescribe or review the activities of state agencies and employees, in some instances they are applicable to authorities included in this study. The relationships between the requirements and controls and each authority are summarized in Table 1.

Table 1. Applicability of State Government Controls to Authorities.

<u>Control</u>	<u>CDA</u>	<u>CPDC</u>	<u>CHEFA</u>	<u>CHESLA</u>	<u>CHFA</u>	<u>CHA</u>	<u>CRRA</u>	<u>CHWMS</u>
Budget	No	No	No	No	No	No	No	Yes (1)
Bonding	No (2)	Yes	No	No	No	No	No	Yes
Personnel	No	Yes	No	No	No	No	No	No
Purchasing	No	Yes (3)	No	No	No	No	No	No
Code of Ethics	Yes (4)	Yes (5)	No	No	No	No	Yes (6)	No
UAPA	Yes	No	No	No	Yes	No	No	No
Affirmative Action	Yes	No	No	No	Yes	No	No	No
Contract Compliance	Yes	No	No	No	Yes	Yes	Yes	No
FOI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Auditor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Comptroller's Office	Yes (7)	Yes (7)	No	No	Yes (7)	No	No	No
Treasurer's Office	No	No	No	No	No	No	No	No

CDA = Connecticut Development Authority
 CPDC = Connecticut Product Development Corporation
 CHEFA = Connecticut Health and Educational
 Facilities Authority
 CHESLA = Connecticut Higher Education
 Supplemental Loan Authority

CHFA = Connecticut Housing Finance Authority
 CHA = Connecticut Housing Authority
 CRRA = Connecticut Resources Recovery
 Authority
 CHWMS = Connecticut Hazardous Waste
 Management Service

Footnotes

- (1) Receives funds from the Emergency Spill Response Fund and DEP grants.
- (2) Mortgage insurance program subject to state bonding process.
- (3) Leasing of property subject to state leasing process.
- (4) Board members and employees subject to prohibited activities restrictions. Only the executive director required to file financial statement.
- (5) Board members and employees subject to prohibited activities restrictions. No one is required to file financial statement.
- (6) Board members required to file financial statement. No one subject to prohibited activities restrictions.
- (7) Payroll service provided by comptroller's office.

CHAPTER II FINDINGS AND RECOMMENDATIONS

CHAPTER II

The program review committee found that compliance with the requirements and controls described in the previous chapter was time consuming. For example, involvement by the Department of Administrative Services may add anywhere from one to five months to the time required to fill a staff vacancy. Being subject to state bonding requirements adds the Office of Policy and Management, the Governor's Office, and the State Bond Commission to the process and increases the decision time by 1 to 18 months.

The program review committee concludes that for entities engaged in financing activities subject to changing market conditions, the benefits of time consuming state governmental requirements and controls are outweighed by the need for flexibility. Therefore, the use of independent authorities in these areas is an effective means of carrying out public policy. On the other hand, for entities whose workloads are predictable and recurring, such flexibility is not necessary, and the requirements and controls are not an unjustified burden.

However, the program review committee believes that certain standards can and should be imposed on all independent authorities. These standards, which are proposed in this chapter in the form of recommendations, aim to ensure that an authority has a clearly defined legal status and operates in an orderly and fair manner.

The recommendations outline the areas of expertise that the committee believes the board of directors of any authority should possess. Internal controls are tightened by requiring basic operating procedures be adopted and that such procedures fix responsibility for key decisions in the hands of the authority's board. External controls are strengthened by bringing the authority's board members and staff under the state's Code of Ethics. Finally, the committee, through a series of recommendations, requires authorities to regularly provide state officials with information on the authority's performance.

Enabling Legislation

The following language should be included in the enabling legislation of every quasi-public agency:

- a) "There is hereby created a body politic and corporate, constituting a public instrumentality and political subdivision of the state of Connecticut, established and created for the performance of an essential public and

governmental function, to be known as ..."
"The _____ shall not be construed to be
a department, institution, or agency of the
state."

- b) "The authority shall continue as long as it shall have bonds or other obligations outstanding and until its existence is terminated by law. Upon termination of the existence of the authority, all its rights and properties shall pass to and be vested in the State of Connecticut."

To ensure clarity between quasi-public agencies and state agencies, there should be uniformity in the enabling legislation that creates authorities. The enabling language of authorities is presently so diverse that it is frequently unclear as to whether certain authorities are subject to state oversight controls and regulations. The committee believes that standard language creating authorities will clarify the controls to which authorities are subject.

Subsection (b) of the recommendation serves as a guarantee to bondholders that the state will allow an authority to exist until all of its obligations are met. It also clearly states that the General Assembly has the same power for sunsetting an authority as it does for initiating one.

Although every quasi-public agency, except the Connecticut Resources Recovery Authority, is impacted by this recommendation, the effect is largely technical and has little direct significance on the operation of any authority included in this study.

General Powers of Authorities

The following general powers should be given to each quasi-public agency:

- a) to adopt an official seal;
- b) to sue and be sued, plead and be impleaded;
- c) to charge and collect fees for its services;
- d) to receive and accept aid or contributions including money, property, labor, and other things of value from any source;
- e) to issue bonds, bond anticipation notes, and other obligations of the authority for any purpose and amount permitted under its enabling legislation and to fund and refund such obligations;

- f) to make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under its enabling legislation -- including such professional services (e.g. financial consultants, bond counsels, underwriters, technical specialists, etc.) as the board of directors shall deem necessary;
- g) to invest any funds not needed for immediate use or disbursement -- including reserve funds -- in obligations issued or guaranteed by the United States of America or the State of Connecticut (including the state's short-term investment fund) and in other obligations which are legal investments for savings banks in this state;
- h) to employ such staff as it shall deem necessary and fix their qualifications, duties, and compensation; and
- i) to establish and adopt regular procedures for exercising its power under its enabling legislation not in conflict with existing statutes.

Following a review of the general powers for all authorities included in this study, the program review committee identified the specific and distinct powers that allow a quasi-public agency to fulfill its purpose. Of these powers, the committee believes that the above recommended powers are the minimum necessary to enable any authority to operate as a quasi-public agency regardless of its specific purpose. Additional powers and duties specific to the purpose of each authority would remain in statute.

The significance of this recommendation is the independent bonding authority to be granted to the Connecticut Product Development Corporation and the Connecticut Hazardous Waste Management Service. Currently, the product development corporation must secure bond funds through the normal state bonding process and the management service has no bonding mechanism in place. Granting this power represents a major change in state policy.

Board of Directors

Each quasi-public agency shall have a board of directors. The members shall include: the secretary of the Office of Policy and Management or his/her designee; the state treasurer or his/her designee; the commissioner of each related agency; two nonstate employees knowledgeable in matters of finance, if the board is empowered to issue bonds; and the remaining membership

to consist of persons knowledgeable and experienced in relevant fields.

The following restrictions shall apply to all quasi-public agencies:

- a) a majority of the full board must be made up of nonstate employees;
- b) all terms of non-ex officio members appointed by the governor shall be staggered;
- c) the chairperson of each board shall be appointed by the governor and confirmed by the General Assembly.

The committee believes that representation from both the Office of Policy and Management and the state treasurer's office will enhance the coordination efforts between quasi-public agencies and state government. There is a close relationship between the supply of Connecticut tax-exempt bonds and the price of those bonds. For this reason, it is important that there be close coordination among authorities, and between authorities and the state when issuing bonds.

The program review committee believes that the State Treasurer is the appropriate person to assure this coordination and, therefore, attempts to give that position a more prominent role. Likewise, the program review committee believes that putting the secretary of the Office of Policy and Management on the boards offers the least restrictive method of assuring that authorities will not unknowingly adopt policies that are inconsistent with state policy.

Most boards of directors of the authorities reviewed are similar in composition to that prescribed by the committee. However, some of the boards will have to be modified to comply with the committee's recommendation. The committee is concerned that the recommendation may cause some boards to be expanded or changed to such a degree that their effectiveness may be lessened. If this is the case, the committee discussed that it may be necessary to adopt legislation reflecting the fact that any additional board members will be either nonvoting or have their participation restricted to bonding oversight. The committee is most concerned about the increase of six new board members to the board of the Connecticut Hazardous Waste Management Service.

Overall, this recommendation will add the secretary of the Office of Policy and Management to the boards of directors of the Connecticut Product Development Corporation, and the Connecticut Hazardous Waste Management Service. It will place the treasurer on the boards of the Connecticut Product Development Corporation, the Connecticut Health and Educational Facilities Authority, the Connecticut Resources Recovery Authority, and the Connecticut Hazardous Waste Management Service.

The recommendation will also change the procedures for appointing and/or confirming the chairperson of all authorities except the Connecticut Resources Recovery Authority. Lastly, for the Connecticut Product Development Corporation, the Connecticut Housing Finance Authority, the Connecticut Housing Authority, and the Connecticut Resources Recovery Authority, the terms of their board members will change from being coterminous with the governor to being staggered.

The powers of the authority shall be vested in and exercised by a board of directors.

This recommendation is largely technical and is aimed at clarifying that all powers of an authority are centralized with its board of directors. The purpose is to ensure that the ultimate responsibility for the authority's activities rests with its board, and therefore, the board can and should be held accountable for actions of the authority. The committee believes that this knowledge will encourage board members to aggressively oversee the operation of the authority.

This recommendation requires amending the enabling statutes for the Connecticut Development Authority, the Connecticut Housing Authority, the Connecticut Resources Recovery Authority, and the Connecticut Hazardous Waste Management Service. However, as previously noted, the recommendation is largely technical and will not negatively impact the operation of any of the authorities included in this study.

The board of directors may delegate to three or more board members, at least one of whom shall be a nonstate employee, such powers and duties that the full board of directors may deem proper.

The program review committee observed that boards of directors frequently delegate their decision-making authority to the staff director and the board chairperson. The committee is concerned with the overuse of this procedure, particularly when it leads to a de facto concentration of power in the hands of the professional staff or a single board member who is the head of a closely related state agency. To check this concentration of power, the committee proposes that the delegation of a board's authority, as it is specifically spelled out in the authority's powers and duties, be limited to a subcommittee of the board. This will restrict the ability of every authority board included in this study to delegate its powers.

Internal Controls

Each authority's board of directors shall adopt written procedures for:

- a) adopting an annual budget and a plan of operations that, at a minimum, require board approval before they become effective;
- b) hiring, dismissing, promoting, and compensating staff (such procedures and policies shall require board approval before a position can be created or a vacancy filled);
- c) acquiring real and personal property and personal services (such procedures shall, at a minimum, require the board to approve all expenditures in excess of \$5,000);
- d) obtaining professional services (e.g., financial advisors, bond underwriters, legal counsel, auditors, etc.) (at a minimum such procedures shall require the authority to solicit proposals at least every three years for each service it uses);
- e) issuing and retiring bonds, bond anticipation notes, and other obligations of the authority;
- f) awarding loans, grants, and other funds (at a minimum, such procedures shall identify eligibility criteria, the application process, and the role played by the authority's staff and board of directors); and
- g) using surplus funds (such procedures and policies shall limit the use of surplus funds to statutorily authorized purposes).

The intent of the above recommendation is to require the board of directors of each authority to review its operations and formally establish written procedures for carrying out key functions. The resulting procedures can then be used as standards against which an authority's activities can be reviewed for their adequacy and fairness. In addition, the presence of written procedures will allow for deviations from normal practices to be easily identified.

An important aspect of this recommendation is that it will force boards of directors to take responsibility for major decisions in several key areas. The recommendation also serves as

a mechanism to remedy specific inadequacies or concerns found by program review staff during the study. Two such concerns are discussed below.

One major concern was that none of the authorities periodically solicited proposals for new consultants such as financial advisors, bond counsel, and general counsel. In fact, the committee found that these consultants were rarely, if ever, changed. To ensure that opportunities to do business with authorities are open, the committee recommends that authorities be required to solicit proposals for professional services at least once during every three-year period that a service is provided.

Another concern of the committee centers around the use of surplus funds. The revenues of many authorities frequently exceed their operating expenses and debt obligations. To guard against the possibility that surplus funds could be used for purposes not envisioned when the authority was created, the committee believes there should be a statutory provision restricting the use of surplus funds to authorized purposes.

Although many authorities already have written procedures for some of their operations, none have them for all key operations identified in this recommendation. Therefore, every authority in this study will be required to develop written procedures covering the identified operations.

Authorities shall not be subject to the provisions of the state's Uniform Administrative Procedures Act. All procedures adopted by an authority's board of directors, whether required by state statute or administrative convenience, shall be by a two-thirds vote of its statutory membership. The vote cannot take place until at least 45 days notice of the board's intended action has been published in the Connecticut Law Journal, during which time the proposed procedures shall be available to interested parties. From the date of notice to the date of board action, written public comment may be submitted for consideration by the board.

The Uniform Administrative Procedures Act (UAPA) requires an entity to develop regulations that govern its formal and informal procedures. The act spells out a process for adopting regulations that, according to a 1980 study by the program review committee, takes approximately eight months to complete. The committee believes that the constraints imposed by the UAPA are contrary to the intent of establishing quasi-public agencies and therefore, the act should not apply to authorities.

Authorities, however, should not be able to adopt or change procedures at will. To guard against this, the committee recommends a process that allows for greater flexibility in initiating or amending procedures than the UAPA, but prohibits a simple majority of the board from acting without constraints. The recommended process provides for public notice and requires a

substantial number of board members be in agreement before a procedure can be adopted or changed.

Presently, the Connecticut Development Authority and the Connecticut Housing Finance Authority are the only authorities subject to the state's UAPA. This recommendation will replace these authorities' UAPA requirements with the formal process for developing procedures outlined above. The same process would also be applied to all other authorities included in the study.

Each authority shall adopt a written affirmative action policy that shall be reflected in its personnel policies and procedures. In its annual report, the authority shall include its affirmative action policy, the composition of its work force by race, sex, and occupation, and a description of all authority activities in the past year to effectuate its affirmative action policy.

Since 1975, executive branch agencies have been required by statute to prepare affirmative action plans "to ensure that affirmative action is undertaken as required by state and federal law to provide equal employment opportunities..." Additionally, the judicial and legislative branches, not statutorily covered by the plan requirement, have undertaken affirmative action activities on their own.

The program review committee believes that authorities, because of their power to confer public benefits, should reflect the state's commitment to affirmative action. The adoption of an affirmative action policy, the requirement that the policy be reflected in actual procedures, and the annual report of the workforce status will, in the committee's view, serve that purpose.

Currently, authorities are treated inconsistently; only two of the quasi-public agencies studied file plans with the Commission on Human Rights and Opportunities. In both cases, this is a result of their inclusion in regulations adopted by the commission to implement the plan requirement.

The major enforcement method available to the Commission on Human Rights and Opportunities against an agency that has not met certain standards relies on the Department of Administrative Services and the Office of Policy and Management to freeze hiring and promotion. No authority in this study utilizes either of those state agencies in their personnel process, thus the commission's mechanism to assure authority compliance with any potential affirmative action directives is limited.

This recommendation will exempt the Connecticut Development Authority and the Connecticut Housing Finance Authority, which currently file affirmative action plans with the Commission on Human Rights and Opportunities, from having to continue to do so. However, these two authorities, along with all other authorities,

will have to comply with the similar affirmative action requirements in the recommendation.

External Controls

The filing of statements of financial interests with the State Ethics Commission should be required of all executive directors, other staff positions as designated by the board, and all board members of quasi-public agencies.

The state's ethics code consists of two primary requirements: filing statements of financial interest and prohibited activities. Section 1-83 of the Connecticut General Statutes requires statewide elected officers, department heads, and other specified executive branch employees to file statements of financial interest with the State Ethics Commission on an annual basis. Because it is specifically mandated by state statute, the Connecticut Resources Recovery Authority is the only quasi-public agency whose board of directors is presently subject to this filing requirement.

Authorities are responsible for administering large sums of money, and it is the board members and executive staff who are responsible for making judgements and decisions leading to the distribution of authority benefits. Furthermore, the authorities' decisions as to who receives funds and/or contracts are not subject to executive oversight or statutorily mandated open bid requirements. Therefore, board members and executive directors of authorities, as well as any other position designated by the chairperson of a board, shall be required to file statements of financial interests with the State Ethics Commission.

Some concern has been raised as to whether board members would be willing to continue to serve in these uncompensated positions if financial interest statements were required. The Legislative Program Review and Investigations Committee sent a survey to the board members of all the authorities in the study, asking if they would continue to serve as directors if made subject to Code of Ethics requirements. Only 3 of the 45 directors responding to the questionnaire indicated that they would not serve; 2 because they believed that some of their other activities would present a conflict of interest, and 1 because he or she misunderstood the ethics requirements. No board member indicated an unwillingness to serve due to the ethics code requirements.

Also, many directors are already subject to the Code of Ethics because of their public positions. For these reasons, the committee believes that the availability of competent authority board members will not suffer by extending the state ethics code to include authorities. This is a new statutory requirement for all authorities, except the board members of the Connecticut Resources Recovery Authority.

Quasi-public agency board members and staff shall be subject to the same prohibited activities as state employees.

The prohibited activities sections of the Code of Ethics, C.G.S. sections 1-84 through 1-85, enumerate situations and activities that are unethical, or could be perceived as unethical, in the course of public service or employment. These prohibited activities presently apply to state employees, public officials, and sometimes members of their immediate family. Some of the authorities in this study have sought advice from the Commission on Ethics regarding specific situations, yet the commission's opinions and recommendations constitute no legal obligation or protection. By applying these prohibited activities sections to employees and directors of authorities, specific language guiding ethical behavior will be provided and the public's confidence enhanced. Because of the public nature of authority operations, these guidelines are especially relevant.

The ethics commission presently considers the board members and staff of the Connecticut Development Authority and the Connecticut Product Development Corporation to be subject to the prohibited activities requirement. This recommendation will further subject all staff and board members of all other authorities to the prohibited activities section of the state ethics code. These persons will be prevented from disclosing confidential information, engaging in activities or employment that would impair their judgement regarding official duties, and other unethical activities.

There are exceptions for uncompensated authority board members which includes those receiving per diem payments, regarding their representation of another person before certain state agencies. Also, board members chosen to represent the area of operation of an authority would not be in violation of C.G.S. Sec. 1-84(b) regarding conflict in decision-making and disclosure of confidential information.

There are post-employment restrictions on representation in state-related matters and disclosure of confidential information. These restrictions apply to former executive branch officials or state employees; the latter restriction applies to legislative public officials. Authority board members and staff would be subject to some post-employment restrictions (C.G.S. Sec. 1-84a, 1-84b(a), 1-84b(b), and 1-84b(d)), but not others (C.G.S. Sec. 1-84b(c)).

Authorities that are created as political subdivisions of the state, other than municipalities, shall be subject to sections 4-114a, 4-114b, and 4-114c of the Connecticut General Statutes regarding contract compliance and shall not be construed as state agencies under the contract compliance regulations and shall not be subject to C.G.S. Sec. 4-115 regarding unlawful purchases.

Presently, the Commission on Human Rights and Opportunities defines the Connecticut Development Authority, the Connecticut Housing Finance Authority, and the Connecticut Housing Authority as state agencies, and subjects them to the same contract compliance requirements as regular state agencies. The other authorities included in the study, namely the Connecticut Product Development Corporation, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, and the Connecticut Hazardous Waste Management Service are not defined as state agencies by the commission and as a result are not required to comply with the commission's contract compliance regulations.

The program review committee believes that the legislature in passing P.A. 84-412 intended to include all authorities in the contract compliance regulations spelled out in sections 4-114a, 4-114b, and 4-114c of the Connecticut General Statutes. Therefore, the purpose of this recommendation is to make it clear that all authorities are subject to the nondiscrimination provisions contained in these sections of the statutes.

However, the program review committee does not believe that it was the intent of the legislature to subject authorities to the same contract compliance procedures that are imposed on state agencies when purchasing routine supplies, materials, and equipment. Since authorities make these purchases in such small quantities, they do not have the same leverage as state agencies in forcing vendors to meet the reporting requirements of the Commission on Human Rights and Opportunities. Indeed, one authority complained that some vendors rather than comply with the required paperwork prefer to forgo the business. To remedy this, the committee proposes that authorities be exempt from the commission's contract compliance provisions when purchasing small quantities of supplies, materials, and equipment.

Under this recommendation, the Connecticut Product Development Corporation, The Connecticut Health and Education Facilities Authority, Higher Education Supplemental Loan Authority, and the Hazardous Waste Management Service would for the first time be subject to the commission's contract compliance requirements. However, these authorities along with the Connecticut Development Authority, the Connecticut Housing Authority, the Connecticut Housing Finance Authority, and the Connecticut Resource Recovery Authority would not be subject to the commission's requirement when purchasing routine supplies, materials, and equipment.

Before an authority can issue bonds for which the state will have a contingent liability, the state treasurer must make a finding that the projects to be supported by the bonds are financially self-sufficient.

The state has a contingent liability for some, but not all, of the bonds issued by authorities. Where the state does have a contingent liability, it must automatically make up for any shortfall in the bond reserve fund caused by insufficient project revenues. Since the treasurer is responsible for overseeing the debt management and financial well-being of the state, the program review committee believes that he or she should have the power to decide which contingent liabilities the state undertakes and under what conditions.

At the present time, only the Connecticut Resources Recovery Authority and the Connecticut Development Authority require treasurer's approval before issuing bonds. This recommendation requires that all other authorities secure the treasurer's finding of self-sufficiency before bonds are issued for which the state has a contingent liability.

Reporting Requirements

There shall be an independent audit of the authority's compliance with its regulations and procedures for affirmative action, personnel practices, purchasing of goods and services, use of surplus funds, and distribution of loans, grants, and other funds. The compliance audit must include a review of all, or a representative sample of, the authority's activities over the past year in each of the areas identified. The audit shall be annually filed with the governor, the General Assembly's committee of cognizance, and the state auditors of public accounts.

This recommendation will be a totally new requirement for every authority. The committee believes that an annual compliance audit will ensure accountability without subjecting authorities to an unnecessary array of state requirements and controls. The committee feels that this type of audit gives an authority's board of directors, lawmakers, and the governor the opportunity to review an authority's performance and make adjustments if necessary.

Although independent audits of authority operations are common, they do not focus as much on internal controls and procedures as this audit will. Also, the compliance audit does not preclude the audits done by the state auditors of public accounts. Rather, it will serve as a base from which the state auditors can conduct their own audit, or in some instances, signal the need for an immediate review of an authority by the state auditors.

All authorities shall file with the governor, the General Assembly's committee of cognizance, and the state auditors of public accounts an annual report for the preceding fiscal year, no later than ninety (90) days into the next fiscal year. At a minimum, the report must provide:

- a) a listing of all bond issues for the previous year, including the issue's financial advisor and underwriters; whether the issue was competitive, negotiated, or privately placed; and the issue's face value and net proceeds;
- b) a listing of all projects receiving financial assistance during the previous year, including each project's purpose, location, and the amount of funds provided by the authority;
- c) a listing of all outside individuals and firms receiving in excess of \$5,000 in the form of loans, grants, or payments for services;
- d) a balance sheet showing all revenues and expenditures;
- e) the cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability;
- f) the affirmative action policy statement, a description of the composition of the authority's work force by race, sex, and occupation and a description of the authority's affirmative action efforts; and
- g) a description of planned activities for the forthcoming fiscal year.

The committee believes that an annual report documenting certain activities of an authority should be used for disseminating descriptive data about the authority's past performance and future plans. In this regard, the report will enhance an authority's accountability. The report will also enable state officials to identify an authority's strengths and weaknesses and to make possible recommendations regarding its operation.

Furthermore, this recommendation simply enumerates specific data that should be included in the annual report which almost every authority currently publishes. Many of the authorities currently have reporting requirements covering some, but not all, of the information included in the recommendation.

APPENDICES

CONNECTICUT DEVELOPMENT AUTHORITY

STATUTORY REFERENCE: C.G.S. Secs. 32-11a to 32-23s

ESTABLISHED: 1973 (P.A. 73-599)

PURPOSE:

To provide long-term financing to business and industry for land acquisition, construction, machinery, equipment, pollution control facilities, energy conservation, and health care.

GOVERNING BODY

The authority is directed by a seven-person board. Included as ex officio members are the commissioner of economic development, the state treasurer, and the secretary of the Office of Policy and Management (OPM). The remaining four members are appointed by the governor to serve coterminously, based on their experience in the fields of financial lending or the development of commerce, trade, or business.

POWERS AND DUTIES:

- o To adopt and amend rules and regulations for conducting its business;
- o To adopt an official seal;
- o To sue and be sued;
- o To accept money from any source;
- o To establish personnel procedures for hiring, promotion, and compensation of staff who shall be exempt from the state's classified service;
- o To employ and retain special consultants including attorneys, accountants, architects, engineers, and financial advisors;
- o To charge and collect fees for its services;
- o To extend credit or make loans to industrial, public service, urban, recreation, commercial fishing, hydroponic or aquaponic, energy, pollution control, and health care projects.

- o To purchase, lease, manage, hold, and dispose of real and personal property;
- o To take assignments of notes, mortgages, and other forms of security, and to take title through foreclosure; and
- o To delegate to one or more of its members, officers, or employees, including employees of the Department of Economic Development, such powers and duties it may deem proper.

STAFFING

The Connecticut Development Authority has a 25 person staff that includes an executive director, deputy director, 4 senior managers, 11 additional professionals, and 8 support services personnel.

ACTIVITIES

The Self-Sustaining Revenue Bond, Umbrella Bond, and Mortgage Insurance programs are at the core of the authority's operation. Each program is designed to provide financial assistance to business and industry.

Under the Self-Sustaining Revenue Bond Program, the authority issues bonds up to \$10,000,000 to finance a private company's acquisition of land, buildings, and equipment. This is possible if the development authority determines that the company's project is in the public interest and validly meets state laws and the federal tax code. The company is responsible for finding a lender, negotiating terms, and making all payments necessary to retire the bonds. Neither the development authority nor the State of Connecticut is obligated to pay or guarantee the bonds.

Through a variety of outreach efforts on the part of the development authority and the Department of Economic Development, companies are made aware of the program. If, after initial discussions between company representatives and authority staff, it appears that the company qualifies in terms of the public purpose aspect of the project, the company is encouraged to submit an application.

The initial action on the part of the authority's board is to approve an application for an inducement resolution. The effect of this resolution is to indicate that the board finds that the project meets the public purpose requirement. However, the authority will not approve the issuance of bonds until the company has obtained a commitment from an underwriter to purchase the bonds, and all the necessary legal documents have met the approval of the authority and its bond counsel.

In the five year period between 1982 and 1986, over \$1.5 billion were provided to business and industry under this program.

The Umbrella Bond Program is designed to provide low-interest loans of up to \$800,000 to small companies. The loans are financed by the proceeds of tax- exempt bonds issued by the authority. Repayment of the bonds is an obligation of the authority. The firms can use the loans to establish, modernize, or expand plant and equipment pollution control facilities, or for energy conservation efforts.

In responding to requests for assistance, the authority's staff does a preliminary review to determine if the company is legally eligible and appears to be creditworthy. If the preliminary review proves to be promising, the company is invited to submit a formal application. The application fee ranges from \$250 to \$1,000 depending on the size of the loan request. The formal application is reviewed by the staff and a subcommittee of the authority's board. Final acceptance or rejection of the loan request is made by the full board. An additional fee ranging from \$100 to \$3,000 is required of the company upon loan commitment. Through 1986, 529 loans by the authority to 421 borrowers totaling \$172,094,433 were made.

Under the Mortgage Insurance Program, industrial mortgage loans made by private lending institutions and loans from the authority's own Umbrella Bond Program are insured against default. The coverage ranges up to 80 percent of the cost of mortgaged machinery and equipment, to a maximum of \$5,000,000, and up to 90 percent of other project costs with a limitation of \$10,000,000. The insurance program is funded through premiums charged to borrowers and general obligation bonds issued by the State of Connecticut.

In addition to the three programs just outlined, the development authority also provides staff services for several programs that are the responsibility of the Department of Economic Development. Included among these programs are Enterprise Zone Loans, Naugatuck Valley Loans, Northeast Connecticut Capital Assistance Loans, Small Business Participation Loans, Small Contractor Loans, Small Manufacturer Loans, and Exporters Loans and Guarantees. Generally, the authority's staff processes loan applications, develops credit and other background information on the proposed project, and makes recommendations to the department. The final decision on whether to grant loans under these programs is the responsibility of the Department of Economic Development.

FUNCTIONS

Table 1 summarizes the role that various components of the Connecticut Development Authority have in key function areas. Basically, the table shows whether the component's involvement is of a decision-making nature or merely advisory.

Table 1. Roles of Connecticut Development Authority Components in Key Functions.

Function	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting	D					
Personnel	A			D		
Purchasing	D					
Selecting Consultants	D					
Bonding	A	A		D		
Programming	A			D		

A = Advisory/involved
D = decision-maker

Budgeting. The authority does not operate on a formal budget, rather, expenditure guidelines are prepared by the staff. The guidelines cover recurring expenses such as salaries, rent, and routine office expenses. The staff monitors expenditures in relationship to the guidelines. The board's role is limited to reviewing annual audit reports and periodically receiving financial reports on the authority's fund balances. Table 2 shows the development authority's administrative expenses for the fiscal years 1984 through 1986.

Personnel. The board exercises final control over all personnel matters including employee compensation levels and the creation of and the approval to fill positions. In the hiring process, the staff handles the paperwork, seeks and screens candidates, and makes recommendations to the board, which then makes the final decision.

Purchasing. Purchasing is under the control of the authority's chief of financial services. All requests and payments flow through this single point. The board generally is not involved unless the cost of a single purchase or group of related purchases exceeds \$10,000. Purchases in this range and higher are brought to the attention of the board.

Table 2. Administrative Expenses.

Expense	FY 84	FY 85	FY 86
Payroll & Fringe	\$1,008,898	\$1,111,140	\$1,229,889
Board Payments			
Equipment			
Rent	74,386	77,480	85,350
Travel	35,226	51,508	44,821
Consulting	91,315	318,956	116,771
Office Expense	123,071	140,355	138,909
Other	80,067	99,815	108,496
TOTAL	\$1,412,963	\$1,799,254	\$1,724,236

Programming. Final decisions related to the Self-Sustaining Bond Program, Umbrella Bond Program, and Mortgage Insurance Program are made by the authority's board. The board as a group is not involved in the decision-making process for the Department of Economic Development programs that utilize authority staff but are not a direct responsibility of the authority.

FLOW OF FUNDS

Table 3 shows the flow of funds into and out of the Connecticut Development Authority.

Table 3. CDA FLOW OF FUNDS

INFLOWS	FY82	FY83	FY84	FY85	FY86
GEN. FUND					
FED. FUNDS					
GRANTS					
FEEs (Inclu. Ins. Pre	\$1,437,232	\$1,463,434	\$1,597,941	\$2,643,836	\$2,968,806
BOND SALES	\$244,426,398	\$258,161,000	\$145,362,486	\$461,680,542	\$596,886,715
REPAYMENTS (Bonds)					
REPAYMENTS (Loans)	\$49,513,290	\$67,586,200	\$78,981,261	\$130,684,603	\$139,067,175
PROJECT INCOME					
INVESTMENT (INCOME	\$2,970,465	\$4,221,943	\$4,926,455	\$5,327,775	\$5,903,766
OTHER	\$74,719	\$59,214	\$668,827	\$57,101	\$118,719
TOTAL	\$298,422,104	\$331,491,791	\$231,536,970	\$600,393,857	\$744,945,181
OUTFLOWS					
DEBT SERVICE	\$50,372,237	\$69,660,485	\$80,750,434	\$132,746,205	\$141,673,724
EARLY BOND					
RETIREMENT					
PROGRAM	\$233,135,363	\$253,104,629	\$145,297,000	\$460,401,391	\$594,631,966
ADMINISTRATION	\$1,106,863	\$1,330,928	\$1,508,377	\$1,899,635	\$1,837,010
OTHER	\$98,074	\$914,058		\$655,570	\$77,302
TOTAL	\$284,712,537	\$325,010,100	\$227,555,811	\$595,702,801	\$738,220,002
INFLOW-OUTFLOW	\$13,709,567	\$6,481,691	\$3,981,159	\$4,691,056	\$6,725,179

NOTE: The figures in this table represent approximations due to multiple sources of data

CONNECTICUT PRODUCT DEVELOPMENT CORPORATION

STATUTORY REFERENCE: C.G.S. Secs. 32-32 to 32-47

ESTABLISHED: 1972 (P.A. 248)

PURPOSE:

To stimulate and encourage the development of new products by providing capital for invention and innovation when such financial aid is not reasonably available from commercial sources.

GOVERNING BODY

The corporation is directed by a seven-person board. The members are appointed by the governor to serve coterminously. One of the seven shall be the commissioner of the Department of Economic Development. Five of the members shall be knowledgeable and experienced in the development of technological invention.

POWERS AND DUTIES:

- o To adopt bylaws, policies, and procedures for regulating its affairs;
- o To establish a fund which shall be financed through application fees, royalty payments, investment income, and bonds issued by the State of Connecticut;
- o To provide capital to companies for developing or introducing new products and processes;
- o To enter into venture agreements including limited partnerships and contractual arrangements with persons doing business in Connecticut;
- o To hold patents, copyrights, trademarks, or other evidences of protection or exclusivity;
- o To employ staff who shall be state employees in the unclassified service, and to engage consultants, attorneys, and appraisers as necessary;
- o To sue and be sued, plead and be impleaded;
- o To borrow money, accept contributions, gifts, and grants from any source; and

- o To invest funds in obligations issued or guaranteed by the United States of America, the State of Connecticut, or other obligations which are legal investments for savings banks in this state, with the approval of the state treasurer.

STAFFING

The Connecticut Product Development Corporation is staffed by a president, two vice-presidents, three additional professionals, and two support services personnel.

ACTIVITIES

The Connecticut Product Development Corporation operates two programs. One provides risk capital for developing new products and processes, and the other offers loans to aid in marketing new products and processes.

Under the risk capital program, the corporation pays up to 60 percent of a company's development costs. The money, which is neither a loan nor a grant, is usually provided in the form of monthly reimbursements for all costs other than capital equipment. In return for its investment, the Connecticut Product Development Corporation receives royalty rights. The exact amount is negotiable, but generally is 5 percent of sales of sponsored products. All applications for money under the program are reviewed by the staff and are approved or denied by the corporation's directors.

Between July 1, 1982, and April 30, 1987, a total of \$10,448,763 was allocated to the corporation by the State Bond Commission to finance various projects. During the same period, royalties paid to the Connecticut Product Development Corporation totalled \$1,926,348.

The loan program is designed to provide working capital to companies with new products and processes that are ready for manufacture, promotion, and sale. The fixed rate loans are generally below market cost and range from \$40,000 to \$200,000. All loan requests are analyzed by the staff and acted on by an administrative board, which is a separate entity from the corporation's board but appointed by it. The process, from submission of a complete application to closing of an approved loan, takes about three months. Between July 1, 1983, and April 30, 1987, 26 loans totalling \$4,063,500 were approved.

In addition to these programs, the Connecticut Product Development Corporation provides the state's contribution to a joint state-private investor fund established to assist young technology companies. The fund provides early-stage financing to such companies to assist in preparing business plans and developing management teams. The program is new and no data are available on its operation.

FUNCTIONS

Table 1 summarizes the role various components of the Connecticut Product Development Corporation have in key function areas. The table shows whether a particular component's involvement is of a decision-making nature or merely advisory.

Table 1. Roles of Connecticut Product Development Corporation Components in Key Functions.

Functions	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting	A			D		
Personnel	D(1)			D(1)	A(1)	
Purchasing	D(2)					
Selecting Consultants	D					
Bonding	A			A	A(OPM)	D (Bond Comm.)
Programming	A			D		

A = advisory/involved
D = decision-maker

(1) Board hires the president. President following state procedures, hires remaining staff. For detailed explanation, see section on personnel.

(2) Within budget.

Budgeting. The Connecticut Product Development Corporation does not receive a state appropriation for administrative expenses. Money for this purpose is obtained from royalties, interest paid to the corporation on loans, income from investment of the corporation's funds, grants, and application fees. An annual administrative budget is adopted by the corporation's board, which then reviews expenditures against the budget at its monthly meetings. Table 2 shows the corporation's administrative expenses for fiscal years 1985 through 1987.

Program money is not budgeted on an annual basis; it comes from operating funds that are sustained largely through the sale of general obligation bonds of the State of Connecticut.

Table 2. Administrative Expenses.

<u>Expense</u>	FY 85	FY 86	FY 87
Payroll & Fringe	\$254,775	\$336,830	\$395,393
Equipment	476	12,149	3,112
Rent	21,480	21,480	21,480
Travel	5,593	4,893	5,981
Consulting	8,188	1,022	14,776
Office Expense	1,929	1,556	1,219
Other	28,125	11,271	21,454
TOTAL	<u>\$330,566</u>	<u>\$389,201</u>	<u>\$463,415</u>

Personnel. The president, who is the corporation's chief executive officer, is appointed by and serves at the pleasure of the board of directors. The board may designate other positions that can be filled by the president. However, staff other than the president are considered unclassified state employees and, therefore, are subject to all state personnel rules, regulations, and procedures related to hiring, firing, promotion, and compensation.

Bonding. Unlike most other state quasi-public agencies, the Connecticut Product Development Corporation does not have the authority to issue bonds in its own name. When money is needed to replenish program funds, the corporation follows the same procedures as any other state agency. It submits a request for the release of legislatively authorized funds through the Office of Policy and Management to the State Bond Commission. If OPM finds the request in order, it is placed on the bond commission's agenda. The State Bond Commission is the final authority in determining when, or if, bond money will be released to support the corporation's projects.

Programing. Extensive marketing efforts are used by both the Connecticut Product Development Corporation and the Department of Economic Development to bring the corporation's benefits to the attention of the state's business community. The staff holds preliminary discussions with all interested parties who appear to qualify for any of the corporation's programs. If there is a potential for mutual benefit, the staff will review a business plan, and if the plan shows a reasonable chance for success, then a formal application is invited. The completed application, along

with the staff's report and recommendation, is sent to the board of directors for a final decision.

FLOW OF FUNDS

Table 3 shows the flow of funds into and out of the Connecticut Product Development Corporation on a yearly basis.

 Table 3. CPDC FLOW OF FUNDS

INFLOWS	FY83	FY84	FY85	FY86
GEN. FUND				
FED. FUNDS				
GRANTS	\$500,000	\$500,000		\$217,000
FEES (Inclu. Ins. Pre)	\$4,514	\$16,372	\$10,395	\$11,858
BOND (Allocations)		\$5,301,950	\$3,059,683	\$4,673,000
REPAYMENTS (Bonds)				
REPAYMENTS (Loans)		\$51,160	\$119,824	\$164,705
PROJECT INCOME	\$194,005	\$389,740	\$565,320	\$554,599
INVESTMENT INCOME	\$43,028	\$39,889	\$64,738	\$101,216
OTHER		\$4,764	\$6,025	
=====	=====	=====	=====	=====
TOTAL	\$741,547	\$6,303,875	\$3,825,985	\$5,722,378
OUTFLOWS				
DEBT SERVICE				
EARLY BOND				
RETIREMENT				
PROGRAM	\$1,866,000	\$6,032,450	\$3,584,683	\$4,813,000
ADMINISTRATION	\$266,633	\$256,052	\$332,239	\$381,915
OTHER				
=====	=====	=====	=====	=====
TOTAL	\$2,132,633	\$6,288,502	\$3,916,922	\$5,194,915
INFLOW-OUTFLOW	(\$1,391,086)	\$15,373	(\$90,937)	\$527,463

 NOTE: The figures in this table represent approximations due to multiple sources of data

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

STATUTORY AUTHORITY: C.G.S. Secs. 10a-176 to 10a-198

ESTABLISHED: 1965 (P.A. 170)

PURPOSE:

To assist health care institutions, higher education institutions, and nonprofit corporations in the acquisition, financing, and refinancing of facilities, structures, and equipment.

GOVERNING BODY

The authority is directed by a nine-person board. The secretary of the Office of Policy and Management serves as an ex officio member. Included among the eight remaining members must be three persons affiliated with institutions of higher education, two persons associated with health care institutions, and one person experienced in state and municipal securities. The members, other than the secretary of the Office of Policy and Management, are appointed by the governor to five-year staggered terms.

POWERS AND DUTIES:

- o To adopt bylaws and an official seal;
- o To sue and be sued in its own name;
- o To issue, fund, or refund bonds, bond anticipation notes, or other obligations of the authority;
- o To contract with any other person, partnership, association, corporation, and body public or private;
- o To employ any consultants that are necessary in the authority's judgement and to fix their compensation;
- o To charge and revise charges for rates, rents, fees, and services provide by and to the authority;
- o To establish rules and regulations for the use of any project or portion of a project;
- o To receive and accept loans, grants, aid, or contributions from any source of money, property, labor, or things of value;

- o To mortgage any project and site for the benefit of holders of bonds issued to finance such a project;
- o To make loans to any institution or corporation participating in a project provided that those loans do not exceed the total cost of the project as estimated by the participating entity;
- o To make loans to any participating institution, organization, or corporation so that the entity may refinance or refund outstanding obligations, mortgages or advances issued for the cost of the project;
- o To charge and equitably apportion the administrative costs and expenses incurred in the performance of the authority's statutory duties among participating institutions, organizations, and corporations;
- o To acquire and use federally guaranteed securities in such manner as the authority deems in its best interest to repay its bonds or notes; and
- o To make loans to and loan agreements with participating institutions for the purpose of acquiring federally guaranteed securities to finance or refinance any project for participating institutions.

STAFFING

The Connecticut Health and Educational Facilities Authority is staffed by an executive director, assistant director, and three support services personnel.

ACTIVITIES

Essentially, the authority assists health care and higher education institutions to obtain financing through the issuance of tax-exempt bonds. The institutions can use the money to acquire, construct, finance, or refinance structures and equipment. The bonds are special obligations of the authority payable by the institution for which they are issued. The State of Connecticut is not obligated to pay or guarantee the bonds.

The authority through mailings, speaking engagements, and direct contacts makes the services it provides known to health and educational institutions. When an institution expresses an interest, exploratory meetings are held between the authority and

representatives of the institution. If staff level discussions are promising, the authority's legal and financial advisors are consulted. The authority's board is kept informed of developments through its regular monthly meetings.

After the specifics of the project have been identified, the authority's staff and advisors must be satisfied the project falls within the authority's statutory limits and is financially feasible. A preliminary agreement is then drafted and presented to the board. If the board approves the agreement, the legal documents necessary for the issuance of bonds are prepared by the authority's bond counsel.

Once representatives of the institution and the authority's staff and advisors have negotiated all the details, a formal resolution is presented to the board. Bonds cannot be sold until a formal resolution specifying the terms of the bond issue has been approved by the board.

After bonds have been issued, the authority continues to assist institutions by monitoring the project's trustee to ensure that all funds and accounts created by the legal documents, including reserve funds, are being wisely managed and all agreements fulfilled. The authority also actively purchases its own bonds in the open market with investment earnings on trustee-held funds as permitted by the legal documents. Such purchases reduce costs for institutions responsible for paying interest on the purchased bonds by reducing the number of bonds callable at a premium and by purchasing such bonds and then cancelling them.

In the five-year period ending with the 1987 state fiscal year, over \$455 million in bonds have been issued by the authority for the benefit of health care and educational institutions.

FUNCTIONS

Table 1 summarizes the roles that various components of the Connecticut Health and Educational Facilities Authority have in key function areas, indicating whether a component's involvement is of a decision-making nature or merely advisory.

Budgeting. The Connecticut Health and Educational Facilities Authority does not receive a state appropriation. Money to finance its operation is obtained from annual administrative fees charged to institutions for whom bonds have been issued. The fees are specified in the bond resolution and amount to one-tenth of one percent of the original issue.

Table 1. Role of Various Connecticut and Educational Facilities Authority Components in Key Functions.

Function	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Others
Budgeting	A				D	
Personnel	(1)			(1)		
Purchasing	D					
Selecting Consultants	A				D	
Bonding	A	A	A		D	
Programming	A	A	A		D	

A = advisory/involved
D = decision-maker
(1) See section on personnel.

Under present procedures, the staff prepares and submits an annual operating budget to the board for approval. At its monthly meeting, the board monitors expenditures in relation to the authority's forecasted budget. Table 2 shows the Connecticut Health and Educational Facilities Authority's administrative expenses for the past three fiscal years.

Table 2. Administrative Expenses.

Expense	FY 85	FY 86	FY 87
Payroll and Fringe	\$176,251	\$180,225	\$201,162
Equipment	8,977	9,101	9,735
Rent	39,150	49,956	53,876
Travel	6,786	6,450	7,623
Consulting	30,059	56,083	33,898
Office Expense	17,768	27,480	4,172*
Other	31,701	32,791	60,107*
Total	\$310,692	\$362,086	\$370,573

* A change in budget categories has caused "Office Expense" to decline and "Other" to increase.

Personnel. The board hires the executive director and the assistant director. The executive director is empowered to fill all other positions. Compensation is set by the board.

Purchasing. The authorization to purchase significant capital items is given by the board through approval of the annual

budget. A bid procedure is used when acquiring such items. Routine office supplies are purchased directly by the staff. If the initial price quote seems too high, the staff will compare the price to that offered by other suppliers. The board would only become aware of and concerned about purchases, if expenditures began to exceed the approved budget.

Selecting Consultants. When selecting consultants, the board follows a request for proposal format. Prospective consultants are asked to prepare a proposal and may, depending on the importance of the task, be asked to make an oral presentation to the board. The staff is available to help consultants prepare a proposal that responds to the authority's needs. The final selection is made by the board.

Following this procedure, the board selects four underwriters to handle its bond issues. The intent is to avoid having to go through a selection procedure for every bond issue and to spread the work among several underwriters. The authority's current practice is to give the participating institution the opportunity to select the lead underwriter from among the four. If the institution does not have a preference, the lead underwriter is selected on a rotating basis by the board. In both cases, the three underwriters not selected to participate in the bond issue serve as subordinate underwriters.

FLOW OF FUNDS

Table 3 shows the Flow of Funds into and out of the Connecticut Health and Educational Facilities Authority.

Table 3. CHEFA FLOW OF FUNDS

INFLOWS	FY82	FY83	FY84	FY85	FY86
GEN. FUND					
FED. FUNDS					
GRANTS					
FEEs					
BOND SALES	\$24,800,000	\$151,620,000	\$26,720,000	\$71,585,000	\$180,575,000
REPAYMENTS	\$25,017,879	\$42,596,228	\$39,025,808	\$45,080,252	\$54,155,071
PROJECT INCOME (Admin Fee)	\$400,155	\$442,060	\$494,768	\$533,368	\$656,571
INVESTMENTS	\$12,169,495	\$12,798,114	\$12,477,653	\$13,063,157	\$16,764,443
OTHER	\$3,522,446	\$933,029	\$11,252,217	\$2,552,446	\$1,983,688
TOTAL	\$65,909,975	\$208,389,431	\$89,970,446	\$132,814,223	\$254,134,773
OUTFLOWS					
DEBT SERVICE	\$31,725,463	\$89,518,231	\$44,250,000	\$50,505,072	\$121,161,883
EARLY BOND RETIREMENT	\$4,300,000	\$8,535,000	\$4,270,000	\$4,790,000	\$5,230,000
PROGRAM	\$64,936,440	\$49,881,244	\$65,003,910	\$57,256,234	\$47,346,490
ADMINISTRATION	\$225,449	\$270,871	\$305,695	\$310,692	\$362,086
OTHER	\$3,159,429	\$8,412,942	\$1,421,172	\$5,950,948	\$9,144,438
TOTAL	\$104,346,781	\$156,618,288	\$115,250,777	\$118,812,946	\$183,244,897
INFLOWS-OUTFLOW (\$38,436,806)	\$51,771,143	(\$25,280,331)	\$14,001,277	\$70,889,876	

NOTE: The figures in this table represent approximations due to multiple sources of data.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

STATUTORY REFERENCE: C.G.S. Sec. 10a-221 to 10a-246

ESTABLISHED: 1982 (P.A. 82-313)

PURPOSE:

To provide low cost loans to students, or their parents or legal guardian(s), attending institutions of higher education.

GOVERNING BODY

The authority is directed by an eight-person board. Included as ex officio members are the state treasurer, secretary of the Office of Policy and Management, and commissioner of higher education. The remaining five members are appointed by the governor to six-year staggered terms based on their knowledge and experience in the fields of higher education and finance.

POWERS AND DUTIES:

- o Adopt bylaws and regulations;
- o Hire an executive and assistant director;
- o Sue and be sued in its own name;
- o Issue bonds and notes, the proceeds of which are loaned to participating institutions of higher education, and to students, parents, or others responsible for a student's education;
- o Establish criteria governing the eligibility of institutions of higher education to participate in the authority's programs, and guidelines for institutions to follow in disbursing bond proceeds;
- o Establish the criteria and guidelines each student, and his or her parents or guardians, must satisfy to participate in a loan program;
- o Receive and accept from any source loans, contributions, or grants;
- o Contract with guarantors, financial institutions, or qualified loan and servicing organizations;
- o Employ attorneys, accountants, consultants, financial experts, loan processors, banks, managers, and such other employees as may be necessary;

- o Examine records and financial reports of participating institutions of higher education; and
- o Report annually to the governor and the state auditors a record of its activities.

STAFFING

The board is staffed by a director and an assistant director, both of whom are employees of the Connecticut Conference of Independent Colleges (CCIC) and service the authority on a part-time basis. CCIC is reimbursed by the authority for its services. One full-time person is employed to handle administrative matters associated with the loan programs. Considerable staff support is also provided by the authority's legal counsel--Day, Berry and Howard.

ACTIVITIES

Through June 30, 1987, the authority has issued \$31,000,000 worth of bonds in two separate offerings. The first, in 1983, was for \$15.5 million and was used to provide funds to Yale University (\$12,601,500), Wesleyan University (\$1,891,000), and Connecticut College (\$1,007,500), each of which in turn was required to make the money available to its students. The bonds were secured through the loan agreements with the three participating institutions and are not a liability of the state.

The authority's second bond issue took place in 1985, and was also for \$15.5 million. The proceeds of this bond sale were used to establish a program for providing money directly to students, or their parents or guardian(s) attending Connecticut institutions of higher education. Through July 31, 1987, 674 loans totaling \$3,873,930 were approved for students attending independent colleges, and 140 loans for \$481,900 were granted for students attending public colleges.

Most of the actual administration of the direct student loan program is provided by the Connecticut Student Loan Foundation through a contractual arrangement it has with the authority. In 1987, Public Act 87-227 expanded the eligibility requirements for the program to include Connecticut students attending out-of-state institutions.

FUNCTIONS

The following table summarizes the roles that various components of the authority have in key function areas. The table shows whether a particular component's involvement is of a decision making nature or merely advisory.

Table 1. Role of Connecticut Higher Education Supplemental Loan Authority Components in Key Functions.

Functions	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting			D(1)			
Personnel	D(2)			D(2)		
Purchasing (equip. & supplies)	D(3)			D(3)		A(3)
Selecting Consultants	A	A		D		
Bonding		A	A	D		
Programming	A	A	A	D		

A = advisory/involved
D = decision maker

- (1) See description of budgeting.
- (2) Board authorizes the filling of all positions, but is only directly involved in hiring the director and the assistant director.
- (3) See description of purchasing process.

Budgeting. As part of the 1985 bond issue, the authority's financial advisor prepared a series of one-year administrative budgets. Although not formally adopted by the board, each serves as the authority's operating budget for the appropriate year. Expenditures based on reports prepared by the authority's auditor are shown in the table below. Because the authority reimburses the Connecticut Conference of Independent Colleges in a lump sum payment for such things as staff, office space, and utilities, a separate breakdown of these expenditures cannot be made.

Table 2. Administrative Expenses.

Expense	FY84	FY85	FY86	FY87
Consulting	\$118,852	\$35,898	67,516	
Office Expense	5,314	4,900	47,816	
Other	<u>3,926</u>	<u>13,711</u>	<u>32,611</u>	
Total	\$128,092	\$54,509	\$147,943	

Purchasing. The staff has the authority to purchase items under \$5,000. The purchase of items in excess of \$5,000 must be approved by the board. Once the appropriate purchase authorization is obtained, the actual mechanics of the acquisition follow the procedure used by the Connecticut Conference of Independent Colleges. In accordance with this procedure, the authority sends a purchase order to the University of Hartford, which obtains the item and bills CCIC, which then is reimbursed by the authority.

Policy Making. The authority follows the same basic procedure in making policy decisions regardless of whether the decision relates to developing a bond issue, establishing loan eligibility criteria, selecting consultants, or some similar matter. A subcommittee of the board is formed, and this group, working with the authority's staff, legal advisor, and financial advisor, if appropriate, develops recommendations for the full board. All policy decisions must be voted on by the board.

FLOW OF FUNDS

Table 3 shows the flow of funds into and out of the authority on a yearly basis.

Table 3. CHESLA FLOW OF FUNDS

INFLOWS	FY82	FY83	FY84	FY85	FY86
GEN. FUND					
FED. FUNDS					
GRANTS					
FEEs			\$38,750	\$38,750	\$58,047
BOND SALES			\$15,500,000		\$15,500,000
REPAYMENTS (Bonds)					
REPAYMENTS (Loans)			\$939,188	\$910,587	\$950,978
PROJECT INCOME					
INVESTMENT (INCOME)		\$274	\$252,107	\$279,623	\$1,195,960
OTHER		\$155,000	\$4,701	\$3,592	\$3,815
TOTAL	\$0	\$155,274	\$16,734,746	\$1,232,552	\$17,708,800
OUTFLOWS					
DEBT SERVICE			\$1,172,243	\$1,171,135	\$2,135,503
EARLY BOND RETIREMENT					
PROGRAM			\$12,339,825		\$1,250,000
ADMINISTRATION			\$128,092	\$54,509	\$147,943
OTHER			\$564,735		\$128,611
TOTAL	\$0	\$0	\$14,204,895	\$1,225,644	\$3,662,057
INFLOWS-OUTFLOWS	\$0	\$155,274	\$2,529,851	\$6,908	\$14,046,743

NOTE: The figures in this table represent approximations due to multiple sources of data

CONNECTICUT HOUSING FINANCE AUTHORITY

STATUTORY AUTHORITY: C.G.S. Secs. 8-244 to 8-265c

ESTABLISHED: 1969 (P.A. 795)

PURPOSE:

To alleviate the shortage of housing for low and moderate income families and persons in this state.

GOVERNING BODY

The board of directors consists of four ex officio members and six members appointed by the governor and confirmed by the Senate. Ex officio membership includes the commissioner of housing, the secretary of the Office of Policy and Management, the banking commissioner, and the state treasurer. Of the appointees, at least one must be an officer or employee of the state, and total expertise must include housing, design, development, finance, management, and state and municipal finance.

POWERS AND DUTIES:

- o to have perpetual succession as a body politic and corporate;
- o to adopt bylaws, policies, and procedures for the regulation of its own affairs;
- o to invest in and take assignments from mortgagees of notes and mortgages evidencing loans for the construction, rehabilitation, purchase, leasing, or refinancing of housing;
- o to accept aid and contributions from any source of money, property, labor, or other things of value. Contributions may include gifts or grants from any department, agency, or instrumentality of the U.S.;
- o to acquire real property in the state of Connecticut (through purchase, grant, foreclosure, leaseholds, fees, and to take assignment of leases and rentals,) and to dispose or encumber such property on any terms;
- o to promote and encourage private sponsorship of the construction and rehabilitation of housing for low- and moderate-income families and persons in this state;

- o to encourage cooperative housing;
- o to stimulate environmental planning for housing in order to enhance opportunities for self-development and employment;
- o to make mortgage loans on its own or in conjunction with certain institutions and to undertake commitments to make mortgage loans;
- o to sell mortgages or other obligations held by the authority at public or private sale with or without public bidding;
- o to foreclose on any mortgage and to protect or enforce any right conferred on it by law, mortgage, contract, or agreement;
- o to borrow money or secure credit on a temporary, short-term, interim, or long-term basis;
- o to issue bond, bond anticipation notes, and other obligations of the authority; to fund and refund these obligations; and to secure them by pledge of revenues, notes, and mortgages of others;
- o to acquire, lease, hold, and dispose of personal property for its corporate purposes;
- o to fix and collect fees and charges in connection with its loans, mortgages, etc.;
- o to employ and set compensation for staff and consultants as necessary to carry out the authority's purposes (including the provision of technical assistance to eligible mortgagors);
- o to make and enter into all contracts and agreements necessary to the performance of its duties;
- o to sue and be sued;
- o to adopt a seal;
- o to maintain an office at place(s) within the state as it may designate;
- o to invest funds in obligations issued or guaranteed by the U.S. government or the state of Connecticut, any obligations that are legal investments for savings banks in this state, or time deposits or certificates of deposit or

similar banking arrangements secured in such manner as the authority determines;

- o to procure insurance against any loss in connection with its property and other assets including mortgages and mortgage loans;
- o to the extent permitted under its contracts with holders of authority obligations, modify the terms of its mortgage agreements (including a reduction of rental or carrying charges for mortgagors so long as reductions do not jeopardize the economic stability of the financed housing);
- o to insure mortgage payments or loans made for the purpose of constructing, rehabilitating, purchasing, leasing, or refinancing housing;
- o to enter in mortgage insurance agreements with lending institutions in connection with the lending of money by such institutions for the purchase of housing; and
- o to make advances to nonprofit corporations (including housing development corporations) for the expenses of planning and developing housing if the nonprofit corporation has applied for a mortgage loan or insurance for the housing project.

STAFFING

At the beginning of 1987, there were 96 full-time equivalent employees of the Connecticut Housing Finance Authority. Of these employees, there were 36 office clericals, 34 professionals, 15 technicians, and 11 administrators or officials.

The authority structure is headed by a board of directors supported by an executive director, a deputy director, and 10 divisions. These divisions consist of personnel/affirmative action, general counsel, strategic planning, technical services, housing management, special programs, home mortgage, an administrative officer, finance, and data processing. Two full-time staff were also under contract in 1986 for professional and support services.

ACTIVITIES

The Connecticut Housing Finance Authority (CHFA) utilizes a number of programs to provide affordable housing to the state's residents. To date, the Home Mortgage Purchase Program has been the primary means of providing below market interest rate financing to qualified first-time home buyers. This program has been used primarily for single family housing.

Home mortgages are originated by participating lenders and financed through the sale of CHFA tax exempt mortgage revenue bonds. Lenders collect information about the potential borrower's income and assets, then CHFA staff reviews the loan application. If the loan is closed, then CHFA pays the lender a one-time origination fee and a servicing fee for as long as the loan is active. In 1986, low- and moderate-income households received just under \$30 million in home mortgages at an interest rate of 7.75 percent. However, CHFA financed \$6.2 million in mortgages in conjunction with a state Department of Housing program. Between 1970 and 1986, CHFA has financed 43,436 home mortgages totalling \$1.8 billion.

Construction financing is offered through a second CHFA program administered by its Special Programs Division. Although home ownership is the ultimate goal of CHFA, the flexibility of the authority's loan programs has lead to the development of small-scale rental housing as a result of this particular division's program. Loans from the program have been used to finance a total of \$71 million in closed mortgages for 2,255 units.

Before a loan is awarded, CHFA staff review each proposed project and put forth a recommendation to the CHFA Mortgage Committee, which then votes on each project. If the vote is favorable, a final decision must be made by the full board of directors. Following the board's approval, the final closing is made. Post-construction monitoring of building operations is then conducted by the division.

The Technical Services Division provides permanent construction financing to developers of low-income multifamily units through its Multifamily Market-Rate Program. CHFA staff review developers' applications for compliance with low-income rental requirements, architectural and financial integrity, and legality. The Mortgage Committee then reviews the project before presenting it to the full board for a resolution of approval. Once the developer's attorney and CHFA counsel negotiate the closing documents, project construction can begin.

CHFA field workers regularly monitor the development process and must report their findings before any requisitions for payments to contractors are processed. Lastly, an outside public accountant reviews the developer's completed work and costs to certify all final costs are valid before payment is made. As of June, 1987, the Technical Services Division has financed 11,609 units of rental housing for the approximate amount of \$430,085,000.

The Technical Services Division also administers a new federal low-income housing tax credit program. This is a 10-year program, with Connecticut's allotment totalling \$3.9 million for 1987. The authority's major role in this program centers around

which projects are eligible for the credit according to federally mandated guidelines. The program's overall process includes a staff review of the developer's application, Mortgage Committee review, and ultimately full board approval. Once the tax credits have been allocated, the developer deals with the Internal Revenue Service (IRS) to realize tax benefits. Also, CHFA informally inspects the buildings constructed with these credits, and informs the IRS if any problems arise. Currently, there are six applications for tax credits being processed by CHFA.

The third and last program administered by technical services is the Pilot Single Family Construction Loan Program. Construction loans for this program are subject to staff and board approval similar to the other programs in technical services; however, the board approves loans en masse, rather than on an individual basis. Although this program is less active today than in the past, a total of 237 single-family homes were constructed for families with annual incomes of \$23,000 or less. It does not appear that this program will be continued in the near future.

The Housing Management Division oversees the management of multifamily housing mortgaged by CHFA. This operation, in addition to the previously mentioned special programs loans, constitute the bulk of CHFA's multifamily programs. The management division monitors the physical condition and on-site financing of CHFA-owned housing financed by subsidies administered by CHFA.

The Reverse Annuity Mortgage Program (RAM) utilizes surplus funds of the authority for distribution of 10-year loans to elderly home owners. Loans are disbursed in monthly payments to help recipients meet living expenses while remaining in their present housing. These loans average approximately 58 percent of the equity value of the home. The state Department of Aging markets the program and screens applicants. At the end of 1986, 128 loans had been closed and \$12.5 million committed to this program.

FUNCTIONS

Table 1 summarizes the involvement of various entities (internal and external to the authority) in the operations of the authority.

Table 1. Roles of CHFA Components in Key Functions.

Operation	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting	A			D(1)		
Personnel	D			D(2)	A	
Purchasing	D			D(3)		
Selecting Consultants	A			D		
Bonding	A	A	A	D	A(4)	
Programming	A	A	A	D	A(6)	

A = Provides advice
D = Makes decision(s)

- (1) The finance committee must approve the budget before full board approval.
- (2) Board approval required for new positions and existing positions above a specific pay level.
- (3) Purchases or consultants not considered in the budget must be approved by the board, e.g., special consulting.
- (4) CHFA staff coordinate bonding with, and receive advice from, the state treasurer's office.
- (5) Staff have been meeting with various state agencies that have housing interests to coordinate programs, e.g., the state Department of Mental Health.

Budgeting. The finance department initiates the budgeting process in late September by collecting input from CHFA staff. The CHFA director of finance meets with the finance committee to review and finalize a budget which is presented to the board in October or November. Hence, the budget process is finished in roughly one month for the following calendar year.

Table 2. Administrative Expenses.

Expense	FY 84	FY 85	FY 86
Payroll and Fringe	\$3,156,737	\$3,338,253	\$3,987,472
Board Payments			
Equipment	21,349	37,229	42,901
Rent	417,793	434,601	414,198
Travel	119,413	118,723	145,735
Consulting	108,601	30,023	108,818
Office Expense	19,495	36,106	33,965
Other	129,720	177,452	165,016
Total	\$3,973,108	\$4,172,387	\$4,898,105

Table 3. CHFA FLOW OF FUNDS

	FY82	FY83	FY84	FY85	FY86
INFLOWS					
GEN. FUND					
FED. FUNDS					
GRANTS					
FEES					
BOND SALES	\$251,270,000	\$200,000,000	\$262,715,000	\$404,200,000	\$166,000,000
REPAYMENTS	\$948,000	\$377,000	\$552,000	\$1,362,000	\$1,653,000
PROJECT INCOME (Mgt Loan Int.)	\$88,538,000	\$118,862,000	\$142,765,000	\$158,001,000	\$157,936,000
INVESTMENTS	\$69,519,000	\$62,145,000	\$64,858,000	\$68,630,000	\$73,121,000
OTHER					
TOTAL	\$159,005,000	\$181,384,000	\$208,175,000	\$227,993,000	\$232,710,000
OUTFLOWS					
DEBT SERVICE	\$118,610,000	\$140,314,000	\$158,689,000	\$178,278,000	\$195,920,000
EARLY BOND RETIREMENT					
PROGRAM	\$2,941,000	\$3,567,000	\$4,240,000	\$4,566,000	\$4,663,000
ADMINISTRATION	\$3,873,000	\$4,432,000	\$4,618,000	\$5,414,000	\$7,056,000
OTHER	\$900,000	\$900,000	\$1,620,000		
TOTAL	\$126,324,000	\$149,213,000	\$169,167,000	\$188,258,000	\$207,639,000
INFLOWS - OUTFLOWS	\$32,681,000	\$32,171,000	\$39,008,000	\$39,735,000	\$25,071,000

Note: The figures in this table represent approximations due to multiple sources of data.

CONNECTICUT HOUSING AUTHORITY

STATUTORY AUTHORITY: C.G.S. Secs. 8-119zz to 8-122

ESTABLISHED: 1986 (P.A. 86-281)

PURPOSE:

To construct, lease, sell and/or manage state housing projects.

GOVERNING BODY

A seven-member board consisting of the commissioner of housing, the state treasurer, the secretary of the Office of Policy and Management (OPM), and four gubernatorial appointees confirmed by the House and the Senate. These appointees shall have training or experience in public housing and public finance or administration. The terms of the board members are coterminous with the governor.

POWERS AND DUTIES:

- o Initiate a housing project in any municipality if the governing body of the municipality declares that:
 - inhabited dwellings are unsanitary or unsafe, or there is a shortage of affordable, safe, or sanitary dwellings for rental by low income families;
 - there is a need for the Connecticut Housing Authority to exercise its powers; and
 - if there is a local housing authority, it is inactive or does not own housing project.
- o Initiate a housing project funded in whole or in part by Section 8 of the United States Housing Act of 1937, if:
 - the local governing body of the municipality approves the housing project; and
 - the local housing authority, if active, approves the project.
- o Rehabilitate or renovate an existing housing project;

- o Possess the same rights, powers, duties, privileges, immunities, and limitations as local housing authorities;
- o Sell or lease the state's housing projects (with the approval of the OPM secretary) and provide for the management of such projects; and
- o Issue bonds to fund a housing project provided that before the issuance of the bonds:
 - the authority holds a public hearing in the town(s) where the project is to be located; and
 - the authority obtains the written approval of the governor or any elected state official designated by the governor (after the public hearing).

ACTIVITIES

The Connecticut Housing Authority (CHA) presently operates three housing projects: Beardsley Terrace (or "Trumbull Gardens") in Bridgeport, which is undergoing conversion to 282 low-rise townhouses and 128 high-rise units; Pequonnock Apartments in Bridgeport, which consists of 256 units currently being rehabilitated; and 17 scattered sites throughout Bloomfield. The authority also manages six units owned by the Connecticut Department of Housing in Bridgeport and administers the federal Section 8 assistance programs for a project in Waterbury and one in New Haven.

In addition to operating several housing projects, CHA also promotes the construction and rehabilitation of housing for low- and moderate-income individuals and families through the issuance of tax-exempt mortgage revenue bonds that provide lower cost financing to developers.

If a developer is interested in financing a project using bonds issued by CHA, a feasibility application must first be submitted. The application details the developer's plans for a project and is acted upon by the authority within two weeks of submittal. Approval by the authority is contingent on proper completion of the application.

Once the authority approves a feasibility application, a "reservation agreement" is put forth. This is an agreement on the part of the authority to issue bonds contingent on the authority's adoption of a resolution approving the terms and conditions of the financing at the time of the bond sale.

Upon approval of the reservation agreement by the authority, an "inducement resolution" is then required. This resolution legally establishes that the costs for a project are sound and will be financed by the issuance of bonds. It is not a commitment on the part of the authority to finance a project, but is done for tax purposes. Both the reservation agreement and the inducement resolution require the assistance of the authority's legal advisor and bond counsel.

Following the inducement resolution, the authority must hold a public hearing. Notice of the hearing must be given at least 14 days in advance and advertised in one major newspaper. Once the hearing is completed, the board makes the determination to begin the actual financing of the project. The total time elapsed for this process and the feasibility application approval is approximately 11 weeks.

Since 1982, CHA has issued bonds totalling \$144,041,281 for the construction and rehabilitation of 3,120 units of low- and moderate-income housing. At the present time, however, Special Act 87-57 has imposed a moratorium on all CHA bonding, thus, freezing CHA's mortgage revenue bond program.

STAFFING

The Connecticut Housing Authority employs an executive director and 38 full-time employees. Of these, six administrative staff work out of the central office, and the remaining are located at the project site in Bridgeport. There are five additional persons employed by contract for construction-related work.

FUNCTIONS

Personnel. The board hires the authority's executive director and deputy director, and approves the creation of new positions. The executive director is empowered to fill all other authorized positions. Compensation rates for maintenance and other employees are fixed pursuant to the authority's annual contributions contract with the Department of Housing and Urban Development (HUD). For all other employees, compensation rates are determined by the authority's executive director subject to approval of the board of directors and HUD.

Purchasing. All purchases made by the authority of less than \$250 are approved by the executive director. Purchases between \$250 and \$5,000 are approved by the executive director but must be made using competitive negotiation between at least three suppliers. If a purchase is over \$5,000, the board must first approve the purchase, and the executive director must formally advertise in at least one newspaper to solicit bids from all available dealers.

Budgeting. The authority's financial support is provided largely through operating subsidies from HUD. The authority also receives a percentage of each bond issue in the form of administrative fees. This percentage amounts to one-sixteenth of one percent and is used by the authority primarily to offset its administrative costs.

Presently, the authority does not operate on a formal budget that outlines all of its revenues and planned expenditures. The closest the authority comes to a budget document is the HUD approved annual operating budget that the staff prepares for both the board and HUD approval.

Table 1. Roles of Connecticut Housing Authority Components in Key Functions.

Function	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other (HUD)
Budgeting	A			D (1)		D
Personnel	D			D (2)		
Purchasing	D (3)			D (3)		
Bonding	A	A	A	D		
Programming	D					

A = Advisory/involved
D = Decision-maker

- (1) See description of budgeting process.
(2) Board authorizes filling of all positions, but is only directly involved in hiring executive director and deputy director.
(3) See description of purchasing process.
-

SUFFICIENT INFORMATION TO DESCRIBE THE AUTHORITY'S ADMINISTRATIVE EXPENSES AND FLOW OF FUNDS COULD NOT BE OBTAINED.

CONNECTICUT RESOURCES RECOVERY AUTHORITY

STATUTORY REFERENCE: C.G.S. Secs. 22a-261 to 22a-284

ESTABLISHED: 1973 (P.A. 73-459)

PURPOSE:

To plan, construct, finance, own, and operate solid waste management facilities in accordance with the state's solid waste plan; to coordinate source separation and recycling efforts and assist in the development of industries based on resources recovery.

GOVERNING BODY

A 15-member board of directors including: the commissioners of environmental protection, transportation, and economic development; the secretary of the Office of Policy and Management; the chairperson of the Solid Waste Management Advisory Council; four gubernatorial appointees; two members appointed by the president pro tempore of the Senate; two appointed by the speaker of the House; one member each appointed by the minority leaders of the Senate and the House; and two ad hoc board members appointed for each proposed solid waste facility, who vote only on issues regarding that particular facility.

POWERS AND DUTIES:

- o Employ a staff of not more than 40 persons;
- o Contract with or employ counsel, auditors, engineers, advisors, and private consultants;
- o Sue and be sued;
- o Conduct hearings and investigations as necessary, and use subpoena power if needed;
- o Determine the location and character of a solid waste project subject to applicable statutes, regulations, and the State Solid Waste Management Plan;
- o Purchase, lease, construct, alter, maintain, or sell waste management projects including the provision for legal, engineering and fiscal specifications, drawings, studies, plans and any other actions incidental thereto;

- o Acquire real property by condemnation, purchase, gift or transfer; own, lease or manage real and personal property as it may deem necessary, convenient, or desirable;
- o Contract with municipal and regional authorities and state agencies for the provision of solid waste management services according to adopted procedures governing the contracting process and applicable state statutes;
- o Receive revenues from the sale of bonds, real and personal property, materials, and energy; from the collection of fees and rents; and from gifts, grants or loans;
- o Report annually to the General Assembly and quarterly to the governor upon its operations, and be subject to audit by the state auditors; and
- o Assist in the preparation or amendment of the State Solid Waste Management Plan and be subject to utilization by the Department of Environmental Protection for carrying out such planning functions.

STAFFING

The board of directors has approved 40 positions (the maximum allowable by statute) of which 32 are filled. The staff is headed by a president and divided into three functional areas: project management, legal counsel, and finance and administration. The number of positions under each area are 18, 2, and 16 respectively. A secretary, an assistant to the president, and a public information officer all work directly for the president of the authority, and do not fall under either of these three divisions. Extensive private consulting is used to supplement staff efforts in legal, financial, and technical matters.

ACTIVITIES

The Connecticut Resources Recovery Authority is presently involved in eight different trash-to-energy projects across the state. These facilities are designed to provide municipalities with an alternative to landfilling their solid wastes. The Mid-Connecticut, Bridgeport, and Wallingford plants are under construction, while the Midstate and Southeast projects have been bonded in escrow, and the Housatonic and Stratford projects are still being negotiated. The Lower Naugatuck Valley project is inactive at this time.

Table 1 provides a brief comparison of the eight CRRA projects. The major components of a completed project include the

resource recovery facility (where trash is burned and electricity is generated), the associated landfill for ash and noncombustibles, any transfer stations needed, and the rolling stock (vehicles to transport waste).

The tasks and negotiations in developing these resource recovery facilities are numerous and complex. Typically, the CRRA president or a project manager identifies towns willing to support a project. The board then approves money for consultants to do a feasibility study. A project manager then meets with representatives from interested towns to form a legal, representative body for future negotiation.

If a project appears to be feasible, staff and consultants screen vendors for the potential construction and operation of a facility, then make a recommendation to the board. Once the board approves the vendor, project documents are developed by CRRA staff, consultants, and advisors. These documents include contracts between the towns and CRRA for solid waste disposal; between CRRA and the vendor for construction and service provision; between the vendor and the utilities for steam purchase and energy production; and between CRRA and the trustee for mortgage and security provision. The board then approves the issuance of bonds, and CRRA staff develops project budgets.

For each resource recovery facility, licenses, permits, or approvals are required by the state Department of Environmental Protection, the federal Environmental Protection Agency, the Federal Energy Regulatory Commission, the state Department of Public Utility Control, the Connecticut Siting Council, and local planning and zoning boards. Many of these approvals are contractual obligations of the vendor, while others are the responsibility of the authority (such as local zoning approval). Once a project has been found to be financially self-sufficient by the board of directors and the issuance of the bonds has the state treasurer's approval, the authority can issue bonds to finance the total cost of a project.

Once construction has begun, the board must approve various payments and issues as they arise (e.g. the inclusion of an additional town in a project or the payment of project funds for work completed). CRRA staff update the board at monthly board meetings on construction progress at each project site.

To date, CRRA has issued \$888,985,000 in bonds for the five plants that are beyond the negotiation phase. Of that amount, \$53,000,000 in Greater Bridgeport Series A bonds were defeased through a settlement with Occidental Petroleum Corporation, and \$34,000,000 in Wallingford bonds were retired and reissued. Therefore, the total amount of outstanding CRRA bonds is presently \$801,985,000. All bonds are, or will be, backed by a special capital reserve fund (SCRF), except for three of the Bridgeport project bonds as indicated in Table 2.

Table 1. CRRA Project Information (AS of September, 1987)

	Mid-Conn	Bridgeport	Wallingford	Midstate	Southeast	Housatonic	Naugatuck	Stratford
Location	Hartford	Bridgeport	Wallingford	Middletown	Preston		**	Stratford
Tons/Day	2000	2250	420	230	600	600		600
No. Towns	44	14	5	7	11	13		4
Form of Town Representation	Advisory Board	Advisory Board	Town CEO's	Reg. Res. Recov. Auth.	Reg. Res. Recov. Auth.	Reg. Res. Recov. Author.		Town CEO's
Process Contractor	Combustion Engineering	Signal	Vicon Enercon	American Ref-Fuel	American Ref-Fuel			Foster-Wheel Corp.
CRRA Bonds Issued (000)	(1) \$386,900	(2) \$259,175	\$51,610	\$42,300	\$62,000			
State Contingently Liable?	Yes	No	Yes	Yes	Yes			

(1) Includes a CL&P bond issue of \$77 million.

(2) A \$53,000,000 bond was originally issued on 9/15/73 for the first Bridgeport project but has since been defeased by a subsequent bond issue. The figure presented here does not include the first bond issuance

** This project is currently inactive; the city of Shelton has signed on with the Bridgeport project, leaving Ansonia and Derby as the two remaining towns.

Table 2. CRRRA Bonds Issued (as of July 1987)

Project Bonds	Dated	Amount Bonded
Greater Bridgeport, A (1)	9/15/76	\$ 53,000,000
Mid-Connecticut, A	3/1/85	100,000,000
Mid-Connecticut, B	3/1/85	209,900,000
Mid-Connecticut, CL&P	11/26/85	77,000,000
Bridgeport Resco, A (2)	12/1/85	27,500,000
Bridgeport Resco, A (2)	12/1/85	136,300,000
Bridgeport Resco, B (2)	12/1/85	91,675,000
Wallingford (4)	12/31/85	34,000,000
Southeastern (3)	12/31/85	62,000,000
Midstate Remarketing (3)	11/15/86	42,300,000
Wallingford, A	12/1/86	34,000,000
Wallingford, B	12/1/86	8,610,000
Wallingford, 1 Subordinated	12/1/86	5,000,000
Wallingford, 2 Subordinated	12/1/86	4,000,000
Bridgeport, 1987 A	6/30/87	<u>3,700,000</u>
Total CRRRA Bonds Issued		\$888,985,000
Total Outstanding Bonds		\$801,985,000
Total Outstanding SCRF Backed Bonds (includes bonds with SCRF as of Fall, 1987)		\$546,510,000

(1) Bonds have been defeased.

(2) Bonds not backed by a Special Capital Reserve Fund (SCRF)

(3) No SCRF until escrow is broken in the Fall of 1987

(4) Bonds have been retired and reissued.

Source: CRRRA Official Statement Supplements and CRRRA staff.

FUNCTIONS

Table 3 summarizes the involvement of various entities (internal and external to the authority) in the operations of the authority.

Budgeting. The CRRA budget is broken down into separate project funds and a general fund. Initial budgets for each project fund are prepared by the project manager and staff of that project. Hearings are then held by the CRRA vice president of finance and administration, controller, and president to review and coordinate project budgets. After this process, the president submits a total proposed budget, which then goes through a review and modification process. Ultimately, the board of directors adopts a final budget.

The budget includes a review of achievements over the past fiscal year as well as a plan of operations for the coming fiscal year. The plan is intended to ensure consistency with the State Solid Waste Management Plan, as the operations plan must be approved annually by the commissioner of Environmental Protection.

Monies from project funds are not transferable among funds. The president can adjust funding levels within categories of a project fund as long as the totals remain the same; otherwise, board approval is necessary.

Each year CRRA salary and overhead expenses are allocated to active projects based on staff hours spent on each project. These indirect costs of the authority are accounted for in the general fund, then transferred to project budgets, leaving zero expenditures in the general fund. Thus, all authority costs are eventually assigned to specific projects. This policy of assigning general fund expenditures to specific project funds was not initiated until 1978. Hence, prior to 1978, approximately \$2 million in unallocated debt had accumulated.

Contract Awarding. By state statute, CRRA must make purchases and award contracts according to procurement policies approved by a two-thirds vote of the board of directors. CRRA regulations specify procedures, timelines, and responsibilities for awarding such contracts under open bid and sole source procedures. Contracts for professional and technical services, construction, and real estate acquisitions are also covered in the regulations.

The Connecticut Resources Recovery Authority has discretion to utilize either sole source procurement or competitive bidding in awarding a contract. This includes contracts for architectural and engineering design, supervision of construction, system management, legal, and financial services. However, by statute, a

contract for greater than \$50,000 per year or for more than five years in duration, which is awarded on other than an open bid basis, must be approved by a two-thirds majority vote of the board of directors.

Table 3. Entity Involvement in Connecticut Resources Recovery Authority Operations.

Operation	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting	A			D	D(1)	
Personnel	D			D(2)	D(3)	D(4)
Purchasing	D			D		
Selecting Consultants	A(5)			D		A(6)
Bonding	A	A	A	D	D(7)	
Programming	A	A		D	D(8)	A

A = Provides advice
D = Makes decision(s)

(1) DEP annually approves the plan of operations that is part of the budget document.

(2) the board fixes staff duties and qualifications and approves the chair-appointed president.

(3) DAS sets the salary of the CRRA president with OPM approval.

(4) The legislature has limited the staff to 40 positions.

(5) Staff is authorized to select consultants for contracts under \$5,000 for all projects, and up to \$250,000 for Mid-Connecticut activities during the construction phase.

(6) Consulting engineers prepare request for proposals and conduct feasibility studies.

(7) The treasurer's office must approve bond issuance.

(8) Specific projects must be in harmony with the State Solid Waste Management Plan and require various DEP approvals.

Additionally, CRRA procurement regulations require that any contract for technical or professional services, for waste handling, processing, or storage, or for transfer stations and transportation, which are in excess of \$5,000 per year, be approved by the board of directors. When contracts for facility management are not by open bid, the directors must pass a resolution that indicates their intent to award a contract 60 days

prior to such awarding, and within 10 days, publish the resolution in both a daily and weekly newspaper. Within 30 days of printing, interested parties can petition the directors regarding the contract award, and a non CRRA referee must report his or her findings about the petition at least 10 days before the final contract award.

Table 4. Administrative Expenses.

Expense	FY 84	FY 85	FY 86
Payroll and Fringe Board and Payments	\$ 782,814	\$ 644,510	\$ 825,179
Equipment	50,037	17,786	14,826
Rent	42,966	61,622	64,246
Travel	2,510	5,927	11,261
Consulting	39,253	61,497	147,723
Office Expense	38,632	53,376	75,865
Other	10,223	12,792	15,110
Interest	<u>88,050</u>	<u>937,500</u>	<u>539,713</u>
Total	\$1,054,485	\$1,795,010	\$1,693,923

CONNECTICUT HAZARDOUS WASTE MANAGEMENT SERVICE

STATUTORY REFERENCE: C.G.S. Secs. 22a-134aa to 22a-134hh

ESTABLISHED: 1983 (P.A. 83-572)

PURPOSE:

To promote and encourage the appropriate management of hazardous waste in the state, with particular attention to the investigation of the management of metal hydroxide sludge and to provide technical and financial assistance to generators of hazardous waste.

GOVERNING BODY

A six-member board of directors appointed by the governor, consisting of two representatives each of the general public, the scientific community, and the business community. Each member shall be from a different congressional district. Terms are staggered and are four years long.

POWERS AND DUTIES:

- o Plan, design, construct, finance, manage, own, operate, maintain, and execute closure and post-closure management responsibilities for hazardous waste management and disposal facilities if private facilities are not meeting the state's needs;
- o Purchase sites deemed necessary and suitable for hazardous waste management facilities if private facilities are not meeting the state's needs;
- o Employ a staff and fix their duties, qualifications, and compensation;
- o Purchase, lease, or rent real and personal property as deemed necessary, convenient, or desirable, and establish offices where necessary in the state;
- o Retain by contract or employ counsel, auditors, engineers, private consultants, and advisors;
- o Sue and be sued;
- o Have a seal and alter it at pleasure;
- o Make and alter bylaws and rules with respect to the exercise of its own powers;

- o Conduct hearings, investigations, and examinations as necessary, and utilize the subpoena process if necessary to produce various records;
- o Charge reasonable fees for the services it performs;
- o Within available resources, may provide technical and financial assistance to any entity for any purpose related to hazardous waste management;
- o Develop guidelines for awarding any loans, grants and guarantees;
- o Prepare and regularly update an estimate of the types and volumes of hazardous wastes generated in the state on or before December 31, 2005 (including a description of treatment, storage, and disposal capacity and capability needed to be developed within the state, in consultation with the commissioner of environmental protection, the chairperson of the Connecticut Siting Council, and other state agencies as the service deems necessary);
- o Prepare a plan for the management of hazardous waste generated in the state, in consultation with the commissioner of environmental protection, the chairperson of the Connecticut Siting Council, other agencies and authorities, the private waste management industry, and generators of hazardous waste;
- o Prepare an inventory of preferred areas for hazardous waste management facilities, if the service determines that private facilities are not meeting the state's needs;
- o With the approval of the commissioner of environmental protection, apply for and accept federal funds through any federal act or program;
- o Receive, invest, and disburse monies from any source when offered for any of its purposes;
- o Assist in meeting state requirements under the Northeast Interstate Low-Level Radioactive Waste Compact, including the preparation of a management plan if the state is designated as a host state; and
- o Evaluate and select potential sites for a low-level waste facility, determining no less than four potential sites for a regional low-level radioactive waste disposal facility, and ultimately choose one site, an operator, and any method of disposal to be used at the site according to the management plan required above.

STAFFING

There are presently four full-time employees of the Connecticut Hazardous Waste Management Service: a chief executive (who is also the chairperson of the service), an administrator, a manager of technical services, and a secretary. A large proportion of the service's verification of data, analysis, and recommendations are performed by task forces, consultants, and interns. The Office of the Attorney General provides legal support and advice.

ACTIVITIES

Since its creation in 1983, the Connecticut Hazardous Waste Management Service has published two documents in fulfillment of its statutory mandate. On July 1, 1985, the service issued a report estimating the volume of hazardous wastes presently generated in the state, and thereafter, until the year 2005. The report summarized current hazardous waste management practices and future needs in the state. On January 1, 1986, the service presented its second document, the Hazardous Waste Management Plan, which proposes specific strategies to handle the state's management needs.

These two reports are intended to help determine the specifics of hazardous waste management in Connecticut. With the assistance of task forces and workshops, one of the most complete data bases on hazardous waste generation in the state has been developed. Industry newsletters have advertised workshops and conferences sponsored by the service, where new technologies have been presented and new data collected. Through these kinds of meetings, the service has gathered information regarding volumes of hazardous waste generated and management practices in the state. Generally, the board is involved at all stages of data collection, analysis, and report writing through discussions at regular board meetings.

Although the overall opinion expressed in the service's report and plan is that the state's needs are basically being met by the state and other private management facilities, the service has nonetheless identified the need for contingency planning and has been involved in preliminary activities of a preferred site inventory. The service is continuing to evaluate the quantities of wastes and management needs in the state in preparation for an updated report to be published sometime in the winter of 1988.

The service is also in the process of developing a technical assistance program for Connecticut businesses, industries, and communities that generate hazardous waste. A manager of technical services is actively being sought to coordinate and implement this program. The purpose of this program is to disseminate technical information to producers of hazardous waste in the state.

Lastly, the service is responding to Public Act 87-540, which delegates low-level radioactive waste management and planning responsibilities to the service. A public policy consultant has been hired and has developed a work plan, schedule, and budget to guide the service in these operations. The ultimate goal of this effort is to choose a site for a low-level radioactive waste disposal facility, if the state is selected as a host-state by the Northeast Low-Level Radioactive Waste Management Compact Commission. This task, as well as the preparation of an overall low-level radioactive waste management plan, will be done by consultants with the advice and oversight of staff and board members of the service.

FUNCTIONS

Table 1 summarizes the involvement of various entities (internal and external to the service) in the operations of the service.

Table 1. Entity Involvement in Connecticut Hazardous Waste Management Service Operations.

Operation	Staff	Legal Advisor	Financial Advisor	Board	State Agency	Other
Budgeting	A			A		D(1)
Personnel	A			D		
Purchasing	D			D		
Selecting Consultants	A			D		
Bonding						
Programming	A			D		

A = Advisory/involved
D = decision-maker

(1) As part of the state budget, the service budget is subject to review by the Office of Policy and Management, and approval by the Appropriations Committee of the legislature.

Budgeting. Almost all of the Hazardous Waste Management Services revenues have been from grants made by the Department of Environmental Protection (DEP). For each of the fiscal years ending in 1984 through 1987, the service received (by legislative act) \$80,000 from the Emergency Spill Response Fund. For fiscal years 1985 through 1987, the service received grants appearing as line items in the DEP budget. The service annually submits a budget option to the Office of Policy and Management through DEP, which then proceeds through the normal state budgetary process. After the budget is approved, and at the start of the new fiscal year, the service submits a personal services agreement to DEP specifying how the monies are to be allocated before the service receives its funding for the fiscal year. Table 2 sets out administrative expenses for each fiscal year.

Table 2. Administrative Expenses.

Expense	FY 85	FY 86	FY 87
Payroll and Fringe	\$27,412	\$70,176	\$71,217
Board Payments	20,600	21,237	50,860
Equipment	7,108	7,236	10,054
Rent	4,790	15,716	19,140
Travel	4,171	1,966	1,026
Consulting	5,093	1,109	1,746
Office Expense	5,706	23,617	17,532
Other			<u>100,000(1)</u>
Total	\$74,880	\$141,057	\$271,575

(1) Represents a director's and officer's liability fund.

Flow of Funds:

Table 3 shows a flow of funds for the service from its creation in fiscal year 1984 to fiscal year 1987.

 Table 3. CHWMS FLOW OF FUNDS

INFLOWS	FY83	FY84	FY85	FY86
GEN. FUND			\$270,000	\$327,200
FED. FUNDS				
GRANTS		\$80,000	\$80,000	\$80,000
FEEES(Inclu.Ins.Prem.)				
BOND (Allocations)				
REPAYMENTS(Bonds)				
REPAYMENTS(Loans)				
PROJECT INCOME				
INVESTMENT INCOME		\$2,729	\$13,349	\$19,284
OTHER			\$1,304	\$1,653
=====				
TOTAL	N/A	\$82,729	\$364,653	\$428,137
OUTFLOWS				
DEBT SERVICE				
EARLY BOND				
RETIREMENT				
PROGRAM		\$7,523	\$274,049	\$100,224
ADMINISTRATION		\$31,171	\$76,930	\$149,662
OTHER				
=====				
TOTAL	N/A	\$38,694	\$350,979	\$249,886
INFLOW-OUTFLOW	N/A	\$44,035	\$13,674	\$178,251

 NOTE: The figures in this table represent approximations due to multiple sources of data



STATE OF CONNECTICUT
STATE ETHICS COMMISSION

December 15, 1987

The Honorable John Atkin
The Honorable Robert D. Bowden
Co-Chairmen, Committee on Program Review and Investigations
20 Trinity Street
Hartford, Conn. 06106

Dear Senator Atkin and Representative Bowden:

At the Committee meeting December 10, 1987 to consider drafting legislation with respect to quasi-public agencies, the question arose as to how the Code of Ethics for Public Officials, Chapter 10, Part I, General Statutes, would apply to members and staff of quasi-public agencies, if made applicable to them.

There are provisions of the Code of Ethics applicable to those in active State service, and others which become applicable upon leaving State service. Assuming that board members of quasi-public agencies would be considered to be public officials for purposes of the Code, and staff personnel to be State employees, the Code would operate as stated below (subject to comments made later) while a person serves in a quasi-public agency.

A person subject to the Code may not:

§§1-84(a), 1-85: be in a situation where he can expect to derive a direct monetary gain or suffer a direct monetary detriment by reason of his official activity, unless the benefit or detriment to the individual, as a member of a business, profession, occupation, or group, is no greater than that for any other member of the business, profession, occupation, or group.

§1-84(b): accept outside employment which will impair his independence of judgment or require or induce him to disclose confidential, inside information gained in, and by virtue of, State service.

§1-84(c): use his State position, or confidential information gained in and through it, for the financial advantage of himself, a member of his family, or a business with which he is associated.

§1-84(d): represent, nor may his employee or firm represent, another for compensation before the twelve agencies listed in §1-84(d). However, there is an exception for those, similar to members of quasi-public agencies, who perform public service without compensation other than per diem, payment of expenses, or both.

(§1-84(e) is not applicable, and §§1-84(f), 1-84(g), and 1-84(h) are bribery provisions.)

§1-84(i): enter into a contract with the State, valued at \$100 or more, nor may a member of his family or a business with which associated enter into such a contract with the State (with a couple of minor exceptions), unless the contract has been reached through an open and public process. Again, there is an exception for persons providing public service for no compensation other than per diem, payment of expenses, or both, unless the person has authority or control over the subject matter of the contract.

§1-84(j): during a calendar year accept a gift or gifts known to total \$50 or more in value, from someone known to be a registered lobbyist or a representative of one.

§1-86 provides that a person who is required to take official action which affects a consequential financial interest of his, of a member of his family, or of a business with which he is associated -- an interest distinct from that of a substantial segment of the public -- must in most cases be excused from taking the action. There is an exception for members of a regulatory agency, should a quasi-public agency be determined to be one. Section 1-86 allows a member of a regulatory agency, faced with a potential conflict of interests, to excuse himself or to act after filing with the agency a formal written statement identifying the potential conflict and explaining why, despite the conflict, the member can participate fairly, objectively, and in the public interest.

It will be seen that compliance with §1-86 avoids violation of §1-84(a) or 1-84(c).

There are special exceptions to the Code which would be applicable to some members of quasi-public agencies. Those are

the members who are required by statute to represent the area in which the quasi-public agency operates. Such a person would not, for example, violate subsection 1-84(b), concerning impairment of independence of judgment, by accepting employment in the area of the quasi-public agency's interest.

There may be particular exceptions to the Code, applicable to members of a quasi-public agency and sometimes its employees, in a conflict-of-interests provision presently in effect for the quasi-public agency, if the provision remains in the agency's legislation under the Committee's bill.

The exceptions to subsections 1-84(d) (compensated representation before certain agencies) and 1-84(i) (contracts with the State requiring a public process) now apply the exception to uncompensated members of boards and commissions. They should be amended to make clear that the exceptions apply to uncompensated members of quasi-public agencies also.

There also would be post-employment restrictions on persons made subject to the Code. These would provide that a person who has left service in a quasi-public agency could not:

§1-84a: use or disclose confidential, inside information, gained in and through agency service, for his financial benefit or another's.

§1-84b(a): represent anyone other than the State concerning any particular matter (1) in which he participated personally and substantially while in agency service, and (2) in which the State has a substantial interest.

§1-84b(b): for a year after leaving agency service, represent anyone other than the State for compensation before his former agency concerning any matter in which the State has a substantial interest.

1-84b(d): for a year after leaving agency service accept employment with a party to a contract, valued at \$50,000 or more, with the State if (1) he participated substantially in, or supervised, the negotiation or award of the contract and (2) the contract was signed within the year before the person left agency service.

Not applicable to current or former members or staff of quasi-public agencies would be subsection 1-84b(c), concerning immediate employment in the regulated industry of persons who leave certain positions in a regulatory agency. Some concern about this provision was expressed at your December 10 meeting.

However, no quasi-public agency is included in the list of agencies to which subsection 1-84b(c) is applicable.

The Commission staff is examining the application of the Code of Ethics to the members and employees of each quasi-public agency you have studied, and analyzing the interrelationship between any conflict-of-interests provision peculiar to an agency and the Code of Ethics. By the time any public hearings on the issue are held, staff members hope to be able to answer any questions regarding the application of the Code of Ethics to the various quasi-public agencies you have studied.

Very truly yours,



J. D. Eaton
Executive Director and
General Counsel

JDE:sc

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

60 WASHINGTON STREET, ROOM 1306 • HARTFORD, CONNECTICUT 06106 • 203 547-1700

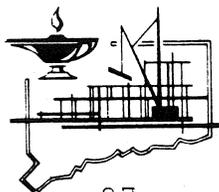
January 26, 1988

Michael L. Nauer
Director
Legislative Program Review
and Investigations Committee
Connecticut General Assembly
Legislative Office Building
18 Trinity Street
Hartford, CT 06106

Dear Mr. Nauer:

The following summarizes the comments of the State of Connecticut Health and Educational Facilities Authority ("CHEFA") on the draft report of the Legislative Program Review and Investigations Committee on Quasi-Public Agencies in Connecticut forwarded to me under cover of your letter dated January 15, 1988.

1. The proposal concerning the duration and termination of the existence of CHEFA is not congruent with the provisions of C.G.S. §10a-195.
2. The proposal that funds of CHEFA may be invested in obligations of the United States and the State of Connecticut and in other obligations which are legal investments for Connecticut savings banks should be included in C.G.S. §§10a-185d, 10a-186, 10a-189 and 10a-192.
3. The proposal that each authority have the power to establish procedures for exercising "its power under its enabling legislation not in conflict with existing statutes" should be changed to provide that an authority has such power except as specifically provided otherwise by statute.
4. The proposal that each authority have on its board of directors the "commissioner of each related agency" does not appear to be applicable to CHEFA because it does not issue bonds on behalf of any state agency. CHEFA issues bonds only on behalf of private institutions.



STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

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5. The proposal that the state treasurer be appointed to CHEFA's board of directors could give rise to a claim that CHEFA's bonds constitute so-called "moral obligations" of the State of Connecticut because traditionally a state treasurer sits on a board of a quasi-public agency only when the state in some form stands behind the bonds.
6. The proposal that board authority be delegated only to three or more board members could cause delays in taking action because of the notice requirements (24 hours prior notice with the Connecticut Secretary of the State) of the Freedom of Information Act (which applies to committees of two or more) and the logistics of getting three or more directors together.
7. The proposal that board of director approval be required to fill a personnel vacancy should not apply in any case where the vacant position was authorized previously by the board when it approved the authority's budget or otherwise.
8. The proposal that all of CHEFA's procedures be adopted by a two-thirds vote of its statutory membership would be unrealistic to implement. A majority vote should be sufficient, particularly since the public will have an opportunity to review the proposed proceedings prior to its adoption. In addition, the proposed 45-day notice of the board's intended action is too long for CHEFA which meets on a monthly basis. A 20-day notice period would be more appropriate and permits adoption of such proceedings at the first regularly scheduled meeting of the board after action is taken by the board to submit the proposal for public review.
9. It would be unrealistic to expect CHEFA to implement effectively an affirmative action policy that would apply only to a professional staff of five people.
10. If the proposal that CHEFA's board members be subject to the same prohibited activities as state employees is adopted, C.G.S. §10a-179(g) should be expanded to cover all board members.
11. The proposal that the state treasurer must make a finding of financial self-sufficiency with respect to projects financed by bonds for which the state is contingently liable has no applicability to CHEFA because CHEFA does not have the authority to issue such bonds.



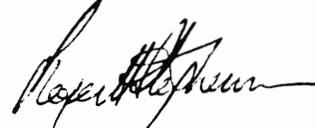
STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

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CHEFA assumes that no other changes to its enabling legislation, such as the one concerning indemnification of its members, is being proposed. If that assumption is not correct, please advise me.

If you have any questions about the foregoing, please contact me.

Very truly yours,



Roger H. Stephenson
Executive Director

cc: Members of the State of Connecticut
Health and Educational Facilities
Authority.





Connecticut Hazardous Waste Management Service

700 Asylum Avenue Suite 360 Hartford CT 06105-1904 203-244-2007

January 26, 1988

The Honorable John Atkin
The Honorable Robert D. Bowden
Legislative Program Review and
Investigations Committee
Legislative Office Building
18 Trinity Street
Hartford, CT 06106

Dear Senator Atkin and Representative Bowden:

Thank you for the opportunity to review and comment on the Program Review and Investigations Committee's draft report on quasi-public agencies. We appreciate the complexity of the task you have undertaken and we complement your efforts. I am happy to submit the following comments on behalf of the Board of Directors of the Connecticut Hazardous Waste Management Service. The comments were unanimously approved at the regular monthly meeting of the Board of Directors on January 21, 1988.

In general, we continue to be concerned about some of the recommendations which would significantly change the way we operate. While we understand that model language is a goal of the committee, we believe caution should be exercised in making changes which may upset the intent of our enabling legislation. We also note that the Connecticut Hazardous Waste Management Service is different from most other quasi-public agencies because we deal with extremely controversial and difficult issues, namely the development of facilities no one seems to want in his or her backyard. Therefore, it is important, especially at this critical time in our existence and because we have not encountered any problems with our current structure, to exercise caution in making significant changes. Our specific comments, made at this time, are on recommendations the Board believes would present problems or on recommendations that raised questions or additional issues.

Committee Recommendation 1:

Although not addressed in the committee's report, the issues of liability, legal defense, and indemnification of the Service, its directors and employees are issues of great concern to the Board of the Service. As you know, in fulfilling our mandate, the Service, unlike most other quasi-public agencies, is particularly vulnerable to legal challenges. At the time the General Assembly passed our enabling legislation, the need for maximum flexibility was as clear as it is today. Thus, we were established as an authority. As far as we know, legal defense and indemnification were not issues when the legislation

The Honorable John Atkin
The Honorable Robert D. Bowden
January 26, 1988
Page 2

passed in 1983. They are issues today. In fact, timely resolution of them is critical, not only because of our responsibilities with regard to hazardous waste, but also because, on December 23, 1987, we acquired responsibility for locating a site for a low-level radioactive waste disposal facility in Connecticut by January 1, 1992. Some provision is needed to ensure the Board can act in a responsible manner without the fear of personally incurring huge legal costs or of jeopardizing personal assets. Therefore, as indicated in testimony before the committee in September, we propose an amendment to our enabling legislation which would provide the Service, its directors and employees the same protection afforded to state employees. The proposed amendment is enclosed as Attachment I.

The Legislative Program Review and Investigations Committee has recommended that language be added to the enabling legislation of each quasi-public agency indicating that the authority "shall not be construed to be a department, institution, or agency of the state." We would not oppose this recommendation with regard to the Service as long as it would not prevent the state from exercising its ability to pay legal costs of defense and to indemnify directors, officers and employees as we suggest.

Committee Recommendation 2e:

With regard to the Committee's recommendation that would give the Service the ability to "issue bonds..." and the recommendation that would change the makeup of the board of directors, we note that the type of facilities with which we would be involved might not necessarily be self-sufficient. Therefore, revenue bonding authorization might not be enough to cover our particular situation. A finding of self-sufficiency, therefore, would be impossible under certain situations. There are major state policy decisions needed regarding the State's role in funding new hazardous waste management facilities, if they are needed, and in funding the low-level radioactive waste disposal facility. Also, we fear that the proposed addition of seven members to our six-member Board would create an imbalance that is in conflict with our original purpose as determined by the legislature, and that it would severely hamper the ability of the Board to function as a "working" board as it has in the past. The Board should be left with its current structure. We note that ad hoc members could be added, if and when, the Board considered bond issues. At any rate, a more detailed study of our particular situation should be undertaken regarding bonding and board membership before any changes are made.

Committee Recommendation 5:

We would like clarification of the recommendation that "the Board of Directors may delegate to three or more Board members, at least one of whom shall be a nonstate employee, such powers and duties that the full Board of Directors may deem proper."

How limiting is the recommendation intended to be? Do all contracts need to be signed by at least three Board members? How would this apply to the power "to

The Honorable John Atkin
The Honorable Robert D. Bowden
January 26, 1988
Page 3

charge and collect fee for its services?" How far is this recommendation intended to involve the Board in the operational details of the agency? We believe that our Board has been more involved than most in the workings of the organization. Our small size has allowed this. However, we are concerned about the effect of this recommendation.

Committee Recommendation 7:

This recommendation specifies notice for changes in procedures, the Board believes that the amount of time necessary to notice the change should be less than 45 days.

Committee Recommendation 10:

Would this recommendation prohibit an employee of the Service who had previously worked at the Department of Environmental Protection (DEP) from appearing before the DEP for one year?

Committee Recommendation 11:

What types of contracts are included in the contract compliance requirements found in Sections 4-114a, 4-114b and 4-114c? Do they apply to personal services agreements, for example? We regularly hire students for data entry and independent consultants for various types of technical assistance.

Thank you again for the opportunity to comment. I look forward to discussing these issues with you.

Sincerely,



Kathleen C. Golas
Chairwoman and Executive Officer

KCG:bdb
Attachment

cc: Gerald R. Backlund
Richard J. Heller
George R. Holeman
Summer Kaufman
Wallace C. Pringle
Barbara H. McWhirter

ATTACHMENT 1:

**PROPOSED LANGUAGE PROVIDING
LIABILITY AND INDEMNIFICATION PROTECTION TO THE
CONNECTICUT HAZARDOUS WASTE MANAGEMENT SERVICE**

In June 1987, the Connecticut Hazardous Waste Management Service (the Service) asked the Attorney General's Office about the adequacy of the Service's statutory liability and indemnification protection. The Attorney General's Office recommended that the Service seek specific legislation on these areas to provide the Service, its directors and employees the same protection afforded to state employees.

The Service has prepared a proposed amendment to its statutes that would provide its directors, officers and employees the liability protection and indemnification provided to state employees. The liability portion of the amendment is substantively identical to Section 4-165 of the General Statutes which covers state officers and employees. The indemnification provision is substantively identical to Section 5-141d of the General Statutes. The indemnification portion of the amendment, as with the statute for state employees, also provides that the Attorney General will defend any director, officer or employee in a civil suit and that the state will pay legal fees for a successful defense if the Attorney General has declined to provide the defense.

The suggested language follows.

Section 1. Subsection (k) of section 22a-134bb of the general statutes is repealed and the following is substituted in lieu thereof:

(k) No director, [or] officer OR EMPLOYEE of the service shall be personally liable for damage or injury, not wanton, RECKLESS or MALICIOUS [willful], caused in the performance of his duties OR [and] within the scope of his employment as such director, [or] officer OR EMPLOYEE. ANY PERSON HAVING A COMPLAINT FOR SUCH DAMAGE OR INJURY SHALL PRESENT IT AS A CLAIM AGAINST THE STATE UNDER THE PROVISIONS OF CHAPTER 53.

Section 2. A new subsection (l) is added to section 22a-134bb of the general statutes as follows:

(1) (1) THE STATE SHALL SAVE HARMLESS AND INDEMNIFY ANY DIRECTOR, OFFICER OR EMPLOYEE OF THE SERVICE FROM FINANCIAL LOSS AND EXPENSE ARISING OUT OF ANY CLAIM, DEMAND, SUIT OR JUDGMENT BY REASON OF HIS ALLEGED NEGLIGENCE OR ALLEGED DEPRIVATION OF ANY PERSON'S

CIVIL RIGHTS OR OTHER ACT OR OMISSION RESULTING IN DAMAGE OR INJURY, IF THE DIRECTOR, OFFICER OR EMPLOYEE IS FOUND TO HAVE BEEN ACTING IN THE DISCHARGE OF HIS DUTIES OR WITHIN THE SCOPE OF HIS EMPLOYMENT AND SUCH ACT OR OMISSION IS FOUND NOT TO HAVE BEEN WANTON, RECKLESS OR MALICIOUS.

- (2) THE STATE, THROUGH THE ATTORNEY GENERAL, SHALL PROVIDE FOR THE DEFENSE OF ANY SUCH DIRECTOR, OFFICER OR EMPLOYEE OF THE SERVICE IN ANY CIVIL ACTION OR PROCEEDING IN ANY STATE OR FEDERAL COURT ARISING OUT OF ANY ALLEGED ACT, OMISSION OR DEPRIVATION WHICH OCCURRED OR IS ALLEGED TO HAVE OCCURRED WHILE THE DIRECTOR, OFFICER OR EMPLOYEE WAS ACTING IN THE DISCHARGE OF HIS DUTIES OR IN THE SCOPE OF HIS EMPLOYMENT, EXCEPT THAT THE STATE SHALL NOT BE REQUIRED TO PROVIDE FOR SUCH A DEFENSE WHENEVER THE ATTORNEY GENERAL, BASED ON HIS INVESTIGATION OF THE FACTS AND CIRCUMSTANCES OF THE CASE, DETERMINES THAT IT WOULD BE INAPPROPRIATE TO DO SO AND HE SO NOTIFIES THE DIRECTOR, OFFICER OR EMPLOYEE IN WRITING.
- (3) LEGAL FEES AND COSTS INCURRED AS A RESULT OF THE RETENTION BY ANY SUCH DIRECTOR, OFFICER OR EMPLOYEE OF ANY ATTORNEY TO DEFEND HIS INTERESTS IN ANY SUCH CIVIL ACTION OR PROCEEDING SHALL BE BORNE BY THE STATE ONLY IN THOSE CASES WHERE (A) THE ATTORNEY GENERAL HAS STATED IN WRITING TO THE DIRECTOR, OFFICER OR EMPLOYEE, PURSUANT TO SUBSECTION (2), THAT THE STATE WILL NOT PROVIDE AN ATTORNEY TO DEFEND THE INTERESTS OF THE DIRECTOR, OFFICER OR EMPLOYEE, AND (B) THE DIRECTOR, OFFICER OR EMPLOYEE IS THEREAFTER FOUND TO HAVE ACTED IN THE DISCHARGE OF HIS DUTIES OR IN THE SCOPE OF HIS EMPLOYMENT, AND NOT TO HAVE ACTED WANTONLY, RECKLESSLY OR MALICIOUSLY. SUCH LEGAL FEES AND COSTS INCURRED BY A DIRECTOR, OFFICER OR EMPLOYEE SHALL BE PAID TO THE DIRECTOR, OFFICER OR EMPLOYEE ONLY AFTER THE FINAL DISPOSITION OF THE SUIT, CLAIM OR DEMAND AND ONLY IN SUCH AMOUNTS AS SHALL BE DETERMINED BY THE ATTORNEY GENERAL TO BE REASONABLE. IN DETERMINING WHETHER SUCH AMOUNTS ARE REASONABLE, THE ATTORNEY GENERAL MAY CONSIDER WHETHER IT WAS APPROPRIATE FOR A GROUP OF DIRECTORS, OFFICERS OR EMPLOYEES TO BE REPRESENTED BY THE SAME COUNSEL.



179 ALLYN STREET • HARTFORD • CONNECTICUT • 06103 • TELEPHONE (203) 549-6390

January 26, 1988

Mr. Michael Nauer
Director
Legislative Program Review
and Investigations Committee
Legislative Office Building
18 Trinity Street
Hartford, CT 06106

Dear Mr. Nauer:

The Connecticut Resources Recovery Authority would like to thank the Program Review and Investigations Committee and its staff for their thorough review of the Authority's powers and activities. We would also like to thank you for the opportunity to comment on the Committee's draft report prior to its publication.

We appreciate the Committee's recognition of the special role that authorities play in achieving state policies and the need for authorities to react to changes in the financial markets with rapid, flexible and coherent responses. We believe that, in general, the Committee's recommendations will help the Authority do its job more effectively and will help assure the citizens of the Authority's financial integrity and public accountability. The Board of the Authority has not had an opportunity to review the report and the staff has not fully assessed the impacts of the Committee's recommendations on the Authority's operations and mission. Thus, we will reserve detailed comments for the public hearing on any legislation which emerges as a result of the Committee's study. We do have some preliminary observations which we would like to share with you and other readers of the report.

The Authority's major concern is that any legislation which alters the powers and duties of the various state authorities should be thoroughly scrutinized by all involved legal counsels in order to avoid unintended disruption to ongoing projects, programs and bond issues. While uniformity in the operation and legal underpinnings of all state authorities has its benefits, the Committee should make allowance for the fact that it is not writing on a clean slate.

Differences in mission and past history make it necessary to exercise care in integrating standard requirements into the statutes of the existing authorities. Also, the potential cost of new requirements should be carefully considered. The Authority is pleased to offer any help the Committee requires as it proceeds to draft its legislative proposals.

An issue that was not addressed in your report but one which merits attention is the need for state indemnification of Authority directors and key staff to protect them from suit for reasonable decisions made while acting in their official capacities. Such protection is granted to state officials and employees. In our litigious society suits against public officials are becoming more common and private insurers are unwilling to provide coverage for such suits at reasonable cost if they are willing to provide it at all. We urge the committee to consider providing this protection to all state authorities. Our remaining comments address individual recommendations in the Committee's report.

With respect to the recommendation on the composition of the board of directors we have two comments. The first regards the State Treasurer as an ex officio member of all state authorities. Pursuant to C.G.S. 22a-269 the Treasurer must approve all of our bonds. We have found this approval process to be helpful and reassuring. We note you are recommending that the Treasurer be assigned similar oversight and approval responsibilities for bonds issued by other authorities. We believe that this important role could be compromised if the Treasurer were a voting member of the board. We suggest that the Treasurer be given either the bond approval role or be made a voting board member in order to avoid any potential conflict from maintaining both roles.

Our second comment on board membership is to seek clarification about the proposed requirement that a majority of the board be made up of non-state employees. Under the Committee's proposal would legislative appointees be considered state employees? This could affect the composition of the CRRA Board since the ex-officio state slots combined with legislative appointments make up a majority of our Board.

We have several questions and concerns regarding the recommendations that the powers of the authority be vested in and exercised by the board and that the board may delegate authority to subcommittees. If the purposes of these recommendations are to insure that the board of an authority is responsible for all actions of the authority and to provide flexibility by allowing designated subcommittees to act on behalf of the entire board on specific issues then we believe that these recommendations are sound. However, if the intent of the recommendations is to prohibit boards from delegating carefully proscribed decision making authority to staff, then we have serious reservations. An active authority like the CRRA

has numerous day-to-day and detailed management decisions that unpaid volunteers and otherwise employed state officials cannot be expected to handle at meetings of the full board or subcommittees. As written, the recommendation would appear to preclude staff from undertaking any action without specific authorization from the board. We know of no organization of any size or complexity that operates in this way. We see the role of the board to set policy, ratify major decisions, hire qualified staff and carefully review their work.

With regard to the recommendation on internal controls we support the adoption of written procedures on the specified issues. However, we have comments about several of the parenthetical suggestions mandating certain controls as follows: Regarding staff vacancies at CRRRA, the Board approves creation of positions and every year approves the staff organization chart. In that way they establish the plan for the year and it is unnecessary for the board to also approve the refilling of individual staff vacancies. Similarly, the Authority does not believe that it is necessary or workable to require redundant board approval of expenditures which have been approved by the board as part of the budget process and that individual board approval of expenditure's over \$5,000 should be reserved for items not included in the budget or previously approved by the board. A requirement to seek new proposals for professional services every three years would be disruptive to our project planning and development efforts which depend heavily on outside expertise and typically take five or six years to complete. We believe that a requirement that the Board review the adequacy of professional services on a periodic basis would achieve the purposes of the recommendation without creating unnecessary uncertainty and disruption in project development.

The Authority believes that a periodic performance audit of affirmative action and personnel practices, purchasing, use of surplus funds and distribution of loans, grants and other funds is a good idea. However, to require an audit of all such items annually as called for in the Committee's recommendation will be an expensive and time consuming exercise. Unlike financial audits, program audits are not standardized, require a fair amount of judgement, are expensive and are currently conducted by a limited number of consulting firms. Perhaps a program audit could be done each year on some portion of performance, and in a cycle over three or four years review all issues. Also, with regard to the financial component of the annual report, it should be noted that financial audits themselves typically require 90 days for completion. Therefore, a time limit set for the submission of the annual report to the Governor and others should allow a reasonable amount of additional time for printing, internal review and distribution, say sixty days.

This concludes our initial comments on the Committee's recommendations. Thank you again for the opportunity to comment on your recommendations. We look forward to working with you on proposed legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Marian R. Chertow". The signature is fluid and cursive, with the first name "Marian" and the last name "Chertow" clearly distinguishable.

Marian R. Chertow
President

MRC:sem

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and any other financial activity.

The second part of the document provides a detailed breakdown of the accounting process. It starts with the identification of the accounting cycle, which consists of eight steps: identifying the accounting cycle, analyzing and journalizing the transactions, posting to the ledger, determining debits and credits, preparing a trial balance, adjusting the entries, preparing financial statements, and closing the books.

The third part of the document focuses on the preparation of financial statements. It explains how to use the trial balance to identify any errors and how to adjust the entries to reflect the true financial position of the company. It also discusses the importance of providing a clear and concise summary of the company's financial performance.

The fourth part of the document discusses the role of the accountant in the business. It highlights the need for the accountant to be a proactive member of the management team, providing valuable insights and advice on financial matters. It also emphasizes the importance of maintaining high ethical standards and ensuring the confidentiality of the company's financial information.

The fifth part of the document provides a summary of the key points discussed in the document. It reiterates the importance of accurate record-keeping, the accounting cycle, the preparation of financial statements, and the role of the accountant. It also provides a final thought on the importance of the accountant in the success of the business.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses and income. The document further explains that proper record-keeping is essential for identifying trends, managing cash flow, and complying with tax regulations.

In addition, the document highlights the need for regular reconciliation of accounts. By comparing the company's internal records with bank statements and other external sources, discrepancies can be identified and corrected promptly. This process helps to prevent errors from accumulating and ensures that the financial data is reliable and up-to-date.

The second part of the document focuses on the classification of assets and liabilities. It provides a detailed breakdown of how different types of assets, such as property, equipment, and inventory, should be valued and reported. Similarly, it outlines the methods for classifying liabilities, distinguishing between short-term and long-term obligations. This section is crucial for providing a clear and accurate picture of the company's financial position.

Finally, the document addresses the importance of transparency and communication. It encourages the company to provide clear and concise financial reports to its stakeholders, including investors, creditors, and management. By doing so, the company can build trust and demonstrate its commitment to sound financial practices.