

CommonWealth

Resource Management Corporation

15 January 2015

The Municipal Review Committee, Inc. (the MRC)
Attn.: Greg Louder, Executive Director
395 State Street
Ellsworth, Maine 04605

RE: Charter Municipality Assets Managed by the MRC:
Financial Statements, Distributions and Management of
Available Funds in the First Quarter of 2015

Dear Members of the Committee:

In this letter, CommonWealth Resource Management Corporation (CRMC) provides financial statements, information and recommendations regarding the distribution and management of available funds by the MRC in the **first** quarter of 2015 under the Second Amended, Restated and Extended Waste Disposal Agreements (the Extended Agreements). In carrying out its duties, the MRC is also bound by the terms of the MRC Administration Authorization (that is, the MRC By-Laws); as well as various agreements that govern the flow of funds associated with the Facility among MRC, PERC and Bangor Hydro-Electric Company (Bangor Hydro) after such funds have been released by PERC's lender.

This letter provides information and recommendations regarding Performance Credits and Net Cash Flow receivable by virtue of prior ownership of limited partnership shares in PERC. The MRC manages such proceeds in accordance with the Extended Agreements, as amended, the Fifth Amended and Restated Agreement of Limited Partnership of PERC (the Partnership Agreement), and related agreements.

In this quarter, CRMC does not recommend that funds be transferred between the Custody Account and the Tip Fee Stabilization Fund.

1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the first quarter of 2015 and preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of January 1, 2015:

- The Custody Account balance at Bangor Savings Bank was **\$1,977,458.06**.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the fourth quarter of 2014, was **\$22,077,042.85**. This fund is held in the form of a ladder of bonds and CDs of varying maturities as invested by the MRC's investment advisor, People's United Bank, in accordance with the approved Investment Policy. The balance in liquid money market funds readily available for withdrawal as of January 1, 2015, was \$558,354.74, which is 2.5 percent of the full value of the fund. Note that \$850,000 in CDs and bonds are scheduled to reach maturity in the first quarter of 2015, which funds will be reinvested by the investment advisor unless directed otherwise by the MRC Board.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the fourth quarter of 2014 (also being managed by People's United Bank), was **\$1,531,672.47**. The balance in liquid money market funds readily available for withdrawal as of January 1, 2015, was \$38,512.36, which is 2.5 percent of the full value of the fund. Note that \$50,000 in corporate bonds are scheduled to reach maturity in the first quarter of 2015, which funds will be reinvested by the investment advisor unless directed otherwise by the MRC Board. No CDs or bonds are scheduled to reach maturity in the second or third quarters of 2015, but \$375,000 in agency bonds are scheduled to reach maturity in the fourth quarter of 2015.
- Cash distributions payable by the MRC to the Charter Municipalities in the quarter are **\$976,379.58** (see Table 3).

The Net Position of the joint venture includes the amounts in the accounts listed above, along with the value of the ownership shares of the Charter Municipalities in PERC, net of the cash distributions payable. Note that the share of the funds owned by the Charter Municipalities and held in reserve by PERC's lender is not included in the Net Position, because such share is a contingent asset under generally accepted accounting principles.

Table 2 presents the revenues and expenditures of the joint venture, as well as the change in Net Position, for the fourth quarter of 2014 and preceding quarters. Note that the excess of revenues over expenditures, as adjusted for changes in balance sheet items (the investment in PERC and in cash distributions payable) is reconciled with the change in the Net Position over each quarter. Table 2 also shows the transfers from the Operating Budget Stabilization Fund to the MRC Operating Fund in 2014.

2.0 DISTRIBUTIONS TO THE CHARTER MUNICIPALITIES

The MRC distributes cash to the Equity Charter Municipalities as required to achieve (a) the target value of **\$55 per ton** of solid waste delivered in the prior quarter for all Equity and New Charter Municipalities on a pooled basis.

To achieve these target values, the MRC needs to distribute at least **\$976,379.58** to the Charter Municipalities to offset a portion of tip fees paid for MSW delivered in the fourth quarter of 2014 (**\$ 876,844.76** to Equity Charter Municipalities and **\$99,534.82** to New Charter Municipalities) based on the tipping fee of **\$77.00** and the actual tonnages delivered by the Equity and New Charter Municipalities for the previous quarter. The basis for this requirement is provided in Table 3.

3.0 SOURCES OF CASH FOR THE DISTRIBUTIONS

The MRC distributes Net Cash Flow and Performance Credits to the Equity Charter Municipalities on a quarterly basis. The Performance Credits are allocated and distributed among the individual Equity Charter Municipalities based on the pro rata share of actual tons at the end of the prior quarter (Extended Agreements, Article XVIII,B, pages 50-51). Net Cash Flow is distributed on the basis of ownership shares in the PERC partnership. Additional cash is distributed to the extent necessary to achieve the target value of \$55 per ton for the net disposal cost to all Equity Charter Municipalities on a system-wide average basis. The value of \$55 per ton became effective on July 1, 2014, in accordance with a schedule of increases in the target values approved previously by the MRC Board of Directors.

The MRC distributes Performance Credits to New Charter Municipalities on a quarterly basis in the amount of the difference between the Tipping Fee in the prior quarter and the target value of \$55 per ton, which difference is multiplied by the actual waste delivered by each New Charter Municipality.

To the extent that the MRC has not received payments of Performance Credits or Net Cash Flow during the quarter in sufficient amounts to make the cash distribution payments, the MRC can call on (a) the prior balance of cash available in the Custody Account; and (b) transfers of cash from the Tip Fee Stabilization Fund.

For the distribution required to achieve the target values for the fourth quarter of 2014, the following sources of cash are available for the distribution as of January 1, 2015, as described in Table 4:

- **\$300,695.67** in partnership cash distributions (Net Cash Flow) from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter, which are being held in the Custody Account.

- **\$1,176,877.49** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter, which are also being held in the Custody Account.

With these sources, the balance in the Custody Account as of January 1, 2015 (which is \$1,977,458.06), is more than sufficient to provide cash for the total recommended distribution to the Charter Municipalities (which is \$976,379.58). Therefore, no transfer of cash from the Tip Fee Stabilization Fund to the Custody Account is required at this time in order to make the cash distribution.

The elevated balance in the Custody Account might be needed in order to provide cash for the distribution anticipated for the second quarter of 2015, when the MRC is projected to receive limited Performance Credits due to reduced revenues in the quarter and higher cash needs to performance major maintenance projects in the quarter. Therefore, no transfer of cash from the Custody Account to the Tip Fee Stabilization Fund is recommended at this time. Such a transfer might be needed in the second quarter of 2015, depending on MSW delivery levels, actual revenues, costs and cash flows.

A full allocation of the Note Payments and Performance Credits to be distributed to each individual Equity Charter Municipality will be available subsequent to the Board meeting.

4.0 RECOMMENDATIONS

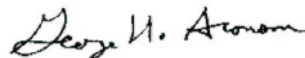
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$976,379.58** to the Charter Municipalities as described herein.

No bond prepayment and no transfers between the Custody Account and the Tip Fee Stabilization Account are recommended at this time.

If you have any further questions, please feel free to contact me.

Sincerely,



George H. Aronson
Principal

Attachments Tables 1 through 5
Copies: PERC, LP

Table 1
Joint Venture of the Charter Municipalities of the
Municipal Review Committee, Inc.
Governmental Funds Balance Sheet / Statement of Net Position
Quarterly Basis, 2014, unaudited

	Notes	Unaudited 1/1/2015	Unaudited 10/1/2014	Unaudited 7/1/2014	Unaudited 4/1/2014	Audited 1/1/2014
ASSETS						
Cash and cash equivalents						
Custody Account (Bangor Savings Bank)		1,977,458.06	2,212,299.84	1,397,829.85	1,157,730.59	1,787,330.40
Accounts Receivable						
PERC partnership distribution (Net Cash Flow) accrued for prior quarter						
Investments						
Tip Fee Stabilization Fund (portfolio managed by Peoples United Bank)						
Account balance	1	22,020,352.74	21,392,799.82	21,401,966.49	21,311,286.44	21,258,689.01
Accrued interest income		56,690.11	62,030.55	63,017.98	63,380.84	71,369.48
MRC Operating Budget Stabilization Fund (managed by Peoples United Bank)						
Account balance	1	1,526,965.86	1,722,764.39	1,961,571.05	1,954,471.46	2,201,020.63
Accrued interest income		4,706.61	3,971.87	5,395.11	5,862.48	6,407.47
Investment in PERC	2	10,200,747.00	10,200,747.00	10,200,747.00	10,200,747.00	10,200,747.00
TOTAL ASSETS		35,786,920.38	35,594,613.47	35,030,527.48	34,693,478.81	35,525,563.99
LIABILITIES AND NET ASSETS						
Liabilities						
Cash distributions payable, current quarter	3	976,379.58	1,111,136.40	1,047,899.16	912,788.42	1,025,550.86
Indenture reserves released, awaiting final allocation						
Statement of Net Position held for the benefit of Charter Municipalities		34,810,540.80	34,483,477.07	33,982,628.32	33,780,690.39	34,500,013.13
TOTAL LIABILITIES AND NET POSITION		35,786,920.38	35,594,613.47	35,030,527.48	34,693,478.81	35,525,563.99
NOTES						
1	Investments valued per market conditions as of date shown to account for unrealized gains and losses, and accrued interest.					
2	Values in 2014 are Charter Municipal share of PERC Partners' capital as of the start of 2014 using results of audit of MRC Joint Venture financials for 2013.					
3	Under gaap, Net Assets do not include the contingent assets shown below, which are the MRC's share of funds held in reserve by PERC's lender for distribution to the MRC when the debt is retired.					
	TD Bank Reserve Fund	1,333,333.34	1,333,333.34	1,333,333.34	1,333,333.34	1,333,333.34

Table 2
Joint Venture of the Charter Municipalities of the
Municipal Review Committee, Inc.
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Quarterly basis, 2014, unaudited

	Period from to	<i>Unaudited</i> Fourth quarter 10/1/2014 to 1/1/2005	<i>Unaudited</i> Third quarter 7/1/2014 to 10/1/2014	<i>Unaudited</i> Second quarter 4/1/2014 to 7/1/2014	<i>Unaudited</i> First quarter 1/1/2014 to 4/1/2014	Calendar year Total 1/1/2014 to 1/1/2005
REVENUE (ADDITIONS)						
PERC Performance Credits		1,176,877.49	1,490,870.57	909,949.02	294,929.38	3,872,626.46
Earnings from investment in PERC (Net Cash Flow)		300,695.67	372,812.66	243,373.10	102,103.22	1,018,984.65
Charter Municipality GAT payments						-
Appreciation (depreciation) of investments						
Tip Fee Stabilization Fund		(41,012.16)	(57,128.74)	41,326.91	(12,704.14)	(69,518.13)
MRC Operating Budget Stabilization Fund		(3,811.95)	(2,046.00)	6,247.11	(3,577.80)	(3,188.64)
Interest and dividend income						
Tip Fee Stabilization Fund - interest received		68,565.08	47,962.07	49,353.14	65,301.57	231,181.86
Tip Fee Stabilization Fund - interest accrued		(5,340.44)	(987.43)	(362.86)	(7,988.64)	(14,679.37)
Op Budget Stabilization Fund - interest received		4,013.42	3,239.34	852.48	7,028.63	15,133.87
Op Budget Stabilization Fund - interest accrued		734.74	(1,423.24)	(467.37)	(544.99)	(1,700.86)
Custodial Account (interest net of bank fees)		(1,278.54)	(958.01)	(790.51)	(1,081.55)	(4,108.61)
TOTAL REVENUE (ADDITIONS)		1,499,443.31	1,852,341.22	1,249,481.02	443,465.68	5,044,731.23
EXPENDITURES (DEDUCTIONS)						
Distributions to Charter Municipalities (rebates)		1,111,136.40	1,048,255.23	912,432.35	1,025,550.86	4,097,374.84
Transfer to the MRC Operating Fund		196,000.00	240,000.00		250,000.00	686,000.00
GAT shortfall penalty payment						-
TOTAL EXPENDITURES (DEDUCTIONS)		1,307,136.40	1,288,255.23	912,432.35	1,275,550.86	4,783,374.84
EXCESS OF ADDITIONS OVER DEDUCTIONS		192,306.91	564,085.99	337,048.67	(832,085.18)	261,356.39
ADJUSTMENTS						
Change in investment in PERC					(1,030,746.00)	(1,030,746.00)
Reserve funds released						
Change in cash distribution payable		134,756.82	(63,237.24)	(135,110.74)	112,762.44	49,171.28
Total adjustments		134,756.82	(63,237.24)	(135,110.74)	(917,983.56)	(981,574.72)
Adjusted Excess of Revenues over Expenses		327,063.73	500,848.75	201,937.93	(1,750,068.74)	(720,218.33)
CHANGE IN NET POSITION						
End of period		34,810,540.80	34,483,477.07	33,982,628.32	33,780,690.39	34,810,540.80
Start of period		34,483,477.07	33,982,628.32	33,780,690.39	35,530,759.13	35,530,759.13
Change in Net Position over Period		327,063.73	500,848.75	201,937.93	(1,750,068.74)	(720,218.33)

Table 3				
Distributions to the Charter Municipalities				
in the First Quarter of 2015				
Equity Charter Municipalities				
	Tipping Fee, fourth quarter 2014		\$	77.00
	Target value		\$	(55.00)
	Distributions required to achieve the target value, \$ per ton		\$	22.00 (A)
	Waste deliveries, Equity Charter Municipalities, tons			39,856.58 (B)
	Distributions required to achieve the target value		\$	876,844.76 (A) x (B)
New Charter Municipalities				
	Tipping Fee, fourth quarter 2014		\$	77.00
	Target value		\$	(55.00)
	Distributions required to achieve the target value, \$ per ton		\$	22.00 (D)
	Waste deliveries, New Charter Municipalities, tons			4,524.31 (E)
	Distributions required to achieve the target value		\$	99,534.82 (D) x (E)
Summary for all Charter Municipalities				
	Equity Charter Municipalities		\$	876,844.76 (A) x (B)
	New Charter Municipalities		\$	99,534.82 (D) x (E)
	Total		\$	976,379.58
Table 4				
Uses and Sources of Cash for the Distribution				
in the First Quarter of 2015				
	Distributions required to achieve the target values		\$	976,379.58
Net Cash Flow				
	Total received, 4Q		\$	300,695.67
	Distributed previously		\$	-
	Deferred for future distribution		\$	-
	Distribution		\$	300,695.67
			\$	(300,695.67)
Performance Credits				
	Received in prior quarter		\$	1,176,877.49
	Distributed previously		\$	-
	Deferred for future distribution		\$	(501,193.58)
	Distribution		\$	675,683.91
	Equity Charter Municipalities - direct		\$	576,149.09
	New Charter Municipalities - indirect		\$	99,534.82
	Total distribution		\$	675,683.91
	Additional funds required		\$	-
Other cash available				
	From prior Custody Account balance			
	Recommended cash transfer from the Tip Fee Stabilization Fund		\$	-

Table 5			
Funds Available After Distributions			
Custodial Account balance as of 1/1/2015			\$ 1,977,458.06
Deposits - 1Q 2015			
	Net Cash Flow from PERC, 1Q (estimated)	30,364.20	
	Performance Credits, 1/15 (estimated)	-	
	Performance Credits, 2/15 (estimated)	-	
	Performance Credits, 3/15 (estimated)	-	
	Subtotal	\$ 30,364.20	\$ 30,364.20
Withdrawals - 1Q 2015			
Distribution to the Charter Municipalities			
	Net Cash Flow distributed	\$ (300,695.67)	
	Performance Credits distributed	\$ (675,683.91)	
	Subtotal		\$ (976,379.58)
	Other adjustments		\$ -
Projected balance after deposits and withdrawals			\$ 1,031,442.68
Transfer from the Tip Fee Stabilization Fund,1Q 2015			\$ -
Balance after transfer			\$ 1,031,442.68