

# CommonWealth

Resource Management Corporation

---

17 April 2012

The Municipal Review Committee, Inc. (the MRC)  
Attn.: Greg Louder, Executive Director  
40 Harlow Street  
Bangor, Maine 04401

RE: Charter Municipality Assets Managed by the MRC:  
Financial Statements, Distributions and Management of  
Available Funds in the Second Quarter of 2012

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 **second** quarter of 2012 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); various financing agreements that govern the flow of funds associated with the Facility and the permitted uses of reserve funds; and the Surplus Cash Agreement, as amended, which governs the flow of funds among PERC, the MRC and Bangor Hydro-Electric Company (Bangor Hydro) after such funds have been released by the PERC's lender.

This letter provides information and recommendations regarding 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, the Surplus Cash Agreement, as amended, and the Fourth Amended and Restated Agreement of Limited Partnership of PERC (the Partnership Agreement).

In this quarter, CRMC recommends that funds be withdrawn from the Tip Fee Stabilization Fund for transfer to the Custody Account. Such withdrawal cannot be approved without the affirmative vote of a Supermajority of the MRC Board of Directors.

## 1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the second quarter of 2012 and four preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of April 1, 2012:

- The Custody Account balance at Bangor Savings Bank was **\$617,630.23**. At its October 2011 meeting, the MRC Board had voted to transfer the \$666,666.67 in cash to the PERC private partners in exchange for (i) ownership of the \$666,666.67 that is allocable to the PERC private partners and is being held as a debt service reserve fund by TDBank; (ii) a 500-ton-per-year deductible on future GAT shortfall penalties; and (iii) good faith commitment to reach agreement on an alternative protocol for GAT shortfall penalty payments. That transfer occurred on February 3, 2012. The balance shown above is net of such transfer.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the first quarter of 2012, was **\$21,001,847.03**. This fund is held in the form of a ladder of bonds 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 April 1, 2012, was \$1,526,711.57, which is 7.3 percent of the full value of the fund.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the first quarter of 2012 (also being managed by People's United Bank), was **\$2,659,797.97**. This value includes \$2.0 million that were transferred from the Custody Account in the fourth quarter of 2011 after being released from reserve funds earlier in 2011.
- Cash distributions payable in the quarter are **\$1,158,282.63** (see Table 3).

The General Fund Balance includes the amount in the Tip Fee Stabilization Fund; the amount in the MRC Operating Budget Stabilization Fund; and other amounts that are classified as undesignated.

The Net Assets of the joint venture include the General Fund Balance, as well as the ownership shares in PERC. Note that the Equity Charter Municipalities' share of Equity Reserves is not included in Net Assets, because such share is considered 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 the Fund Balance, for the first quarter of 2012 and four 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 Net Assets over each quarter.

Table 2 shows revenues from payments of the GAT shortfall penalty by Charter Municipalities to the MRC as reimbursement for their shares of the payment of \$98,326.82 made by the MRC to PERC in the second quarter. The revenue accounts for cash distributions and offsets against shares of fund balances assessed in the quarter. For one New Charter Municipality (Cranberry Isles), the offsets outstanding exceeded distributions through the first quarter cash distribution by a total of \$301.17. That remaining offset will be rolled over to subsequent quarters as required until the entire credit is taken.

## 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 **\$46 per ton** of solid waste delivered in the prior quarter for all Equity Charter Municipalities on a pooled basis; and (b) the target value of **\$54 per ton** of solid waste delivered in the prior quarter for all New Charter Municipalities.

To achieve these target values, the MRC needs to distribute at least **\$1,158,282.63** to the Charter Municipalities for the first quarter of 2012 (**\$1,071,043.49** to Equity Charter Municipalities and **\$87,239.14** to New Charter Municipalities) based on a tipping fee of **\$76.50** 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 \$46 per ton for the net disposal cost to all Equity Charter Municipalities on a system-wide average basis.

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 \$54 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) other 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 first quarter of 2012, the following sources of cash are available for the distribution as of April 1, 2012, as described in Table 4:

- **\$87,278.36** in partnership cash distributions (Net Cash Flow) from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.
- **\$176,474.12** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.
- **\$617,630.23** in Performance Credits and Net Cash Flow, and related earnings, distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in prior quarters and currently held in the Custody Account.

With these deposits, the balance in the Custody Account as of April 1, 2012, is not sufficient to provide cash for the recommended distribution to the Charter Municipalities. Therefore, CRMC recommends a transfer of cash from the Tip Fee Stabilization Fund to the Custody Account at this time. As shown in Tables 4, 5 and 6, the recommended transfer is **\$450,000**, which would be sufficient to avoid further transfers of cash from the Tip Fee Stabilization Fund to the Custody Account through the end of 2012.

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. Withdraw **\$450,000** from the Tip Fee Stabilization Account for transfer to the Custody Account.
2. Distribute **\$1,158,282.63** to the Charter Municipalities as described herein.

No bond prepayment is recommended at this time. No transfer to the Tip Fee Stabilization Account is 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

	Notes	4/1/2012	10/1/2011	7/1/2011	4/1/2011	1/1/2011
<b>ASSETS</b>						
<b>Cash and cash equivalents</b>						
Custody Account (Bangor Savings Bank)		617,630.23	4,292,110.36	1,144,775.52	191,807.66	858,826.64
<b>Accounts Receivable</b>						
PERC partnership distribution (Net Cash Flow) accrued for prior quarter						
<b>Investments</b>						
Tip Fee Stabilization Fund (portfolio managed by Merrill Bank)						
Account balance	1	20,904,602.07	20,797,846.08	20,613,062.77	21,245,080.17	21,700,556.69
Accrued interest income		97,244.96	108,028.80	123,093.61	117,883.34	139,670.64
MRC Operating Budget Stabilization Fund (managed by Merrill Bank)						
Account balance	1	2,650,836.98	696,192.37	694,121.63	686,276.03	687,978.10
Accrued interest income		8,960.99	4,107.20	3,147.89	4,837.90	3,355.90
Investment in PERC	2	13,259,694.00	13,259,694.00	13,259,694.00	13,259,694.00	13,259,694.00
<b>TOTAL ASSETS</b>		<b>37,538,969.23</b>	<b>39,157,978.81</b>	<b>35,837,895.42</b>	<b>35,505,579.10</b>	<b>36,650,081.97</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Cash distributions payable, current quarter	3	1,158,282.63	1,251,168.02	1,160,594.26	1,113,992.66	1,267,530.14
Indenture reserves released, awaiting final allocation	4	-	2,666,666.67	-	-	-
<b>Net Assets</b>		<b>36,380,686.60</b>	<b>35,240,144.12</b>	<b>34,677,301.16</b>	<b>34,391,586.44</b>	<b>35,382,551.83</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>37,538,969.23</b>	<b>39,157,978.81</b>	<b>35,837,895.42</b>	<b>35,505,579.10</b>	<b>36,650,081.97</b>
<b>NOTES</b>						
1	Investments valued per market conditions as of date shown to account for unrealized gains and losses, and accrued interest.					
2	Value of Charter Municipal share of PERC Partners' capital as of January 1, 2011, using results of audit of MRC Joint Venture financials for calendar year 2010.					
	Value through 2011 to be updated upon audit.					
3	Payables are prior to application of credits for unpaid GAT fines. Credits are not realized until the tonnage of MSW that earns the value of the credits is delivered.					
4	Under gap. Net Assets do not include the contingent assets shown below, which are the MRC's share of funds held in reserve for the PERC financing. for distribution to the MRC when the debt is retired. Note that \$2,666,666.67 was released to the MRC in the third quarter of 2011 after PERC's bonds were refinanced with a bank loan from TDBank. As of March 31, 2012, \$2.0 million of the released funds had been transferred to the MRC Operating Budget Stabilization Account, and \$1,333,333.34 remained in reserve held by TDBank.					
	Capital Improvement Fund			333,333.34	333,333.34	333,333.34
	Operating Reserve Account			1,000,000.00	1,000,000.00	1,000,000.00
	Capital Reserve Fund			2,000,000.00	2,000,000.00	2,000,000.00
	Subtotal			3,333,333.34	3,333,333.34	3,333,333.34
	TDBank Reserve Fund	1,333,333.34	666,666.67	-	-	-
	Total	1,333,333.34	666,666.67	3,333,333.34	3,333,333.34	3,333,333.34

**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, 2011-2012, unaudited**

Period from to	Unaudited		Unaudited		Unaudited		Unaudited	
	First quarter 1/1/2012	Fourth quarter 10/1/2011 1/1/2012	Third quarter 7/1/2011 10/1/2011	Second quarter 4/1/2011 7/1/2011	First quarter 1/1/2011 4/1/2011			
<b>REVENUES</b>								
Performance Credits	176,474.12	923,420.58	1,273,802.58	1,007,048.99	47,665.38			
Partnership distributions (Net Cash Flow)	82,278.36	253,851.50	334,337.35	274,072.80	53,690.95			
Charter Municipality GAT payments	245.95	1,345.25	34,237.56	34,546.61				
Appreciation (depreciation) of investments	(76,408.75)	(10,262.41)	70,638.17	98,317.89	(47,747.86)			
Tip Fee Stabilization Fund	(7,195.97)	(1,384.62)	(980.55)	3,328.71	(3,999.71)			
MRC Operating Budget Stabilization Fund								
Interest income								
Tip Fee Stabilization Fund - interest received	122,247.81	71,179.34	114,145.14	119,664.71	92,271.34			
Tip Fee Stabilization Fund - interest accrued	(9,403.30)	(1,380.54)	(15,064.81)	5,210.27	(21,787.30)			
Op Budget Stabilization Fund - interest received	5,262.41	2,962.79	3,051.29	4,516.89	2,297.64			
Op Budget Stabilization Fund - interest accrued	2,981.18	1,872.61	959.31	(1,690.01)	1,482.00			
Custodial Account (interest net of bank fees)	(1,216.31)	(1,619.98)	(1,667.76)	(381.06)	(845.17)			
<b>TOTAL REVENUE</b>	<b>295,265.50</b>	<b>1,239,984.52</b>	<b>1,813,458.28</b>	<b>1,544,635.80</b>	<b>123,027.27</b>			
<b>EXPENDITURES</b>								
Distributions to Charter Municipalities	1,191,424.91	1,251,168.02	1,160,594.26	1,113,992.66	1,267,530.14			
Transfer to the MRC Operating Fund		45,000.00						
GAT shortfall penalty payment				98,326.82	1			
<b>TOTAL EXPENDITURES</b>	<b>1,191,424.91</b>	<b>1,296,168.02</b>	<b>1,160,594.26</b>	<b>1,212,319.48</b>	<b>1,267,530.14</b>			
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(896,159.41)</b>	<b>(56,183.50)</b>	<b>652,864.02</b>	<b>332,316.32</b>	<b>(1,144,502.87)</b>			
<b>ADJUSTMENTS</b>								
Change in investment in PERC			2,667,219.37					
Reserve funds released	(666,666.67)		(90,573.76)	(46,601.60)	153,537.48			
Change in cash distribution payable	33,142.28	59,743.11	2,576,645.61	(46,601.60)	153,537.48			
Total adjustments	(633,524.39)	59,743.11	2,576,645.61	(46,601.60)				
<b>Adjusted Excess of Revenues over Expenses</b>	<b>(1,529,683.80)</b>	<b>3,559.61</b>	<b>3,229,509.63</b>	<b>285,714.72</b>	<b>(990,965.39)</b>			
<b>CHANGE IN NET ASSETS</b>								
End of period	36,380,686.60	37,910,370.40	37,906,810.79	34,677,301.16	34,391,586.44			
Start of period	37,910,370.40	37,906,810.79	34,677,301.16	34,391,586.44	35,382,551.83			
<b>Change in Net Assets over Period</b>	<b>(1,529,683.80)</b>	<b>3,559.61</b>	<b>3,229,509.63</b>	<b>285,714.72</b>	<b>(990,965.39)</b>			

**Note 1** MRC paid the GAT fine to PERC of \$98,326.82 in 2Q 2011. Towns repaid the MRC through a mix of cash and account credits. In 2Q 2011, the MRC received cash reimbursements and offsets for GAT fines of \$34,546.61 from Charter Municipalities. In 3Q 2011, the MRC received cash reimbursements and offsets for GAT fines of \$34,237.56 from Charter Municipalities. In 4Q 2011, the MRC received cash offsets for GAT fines of \$1,345.25 from Charter Municipalities. In 1Q 2012, the MRC received cash offsets for GAT fines of \$245.95 from Charter Municipalities. At the end of 1Q 2012, \$55.22 remained to be credited in calendar year 2012.

**Note 2** The entry for 3Q 2011 includes \$2,666,666.67 and \$552.70 released to the Custody Account from bond reserve funds. The entry for 1Q2012 includes \$666,666.67 paid to acquire the interest of the PERC private partners in its share of the reserves held by TDBank.

<b>Table 3</b>		
<b>Distributions to the Charter Municipalities</b>		
<b>in the Second Quarter of 2012</b>		
<b>Equity Charter Municipalities</b>		
Tipping Fee, first quarter	\$ 76.50	
Target value	\$ (46.00)	
Distributions required to achieve the target value, \$ per ton	\$ 30.50	(A)
Waste deliveries, Equity Charter Municipalities, tons	35,116.18	(B)
Distributions required to achieve the target value	\$ 1,071,043.49	(A) x (B)
<b>New Charter Municipalities</b>		
Tipping Fee, first quarter	\$ 76.50	
Target value	\$ (54.00)	
Distributions required to achieve the target value, \$ per ton	\$ 22.50	(D)
Waste deliveries, new Charter Municipalities, tons	3,877.29	(E)
Distributions required to achieve the target value	\$ 87,239.14	(D) x (E)
<b>Summary for all Charter Municipalities</b>		
Equity Charter Municipalities	\$ 1,071,043.49	(A) x (B)
New Charter Municipalities	\$ 87,239.14	(D) x (E)
Total	\$ 1,158,282.63	

**Table 4  
Uses and Sources of Cash for the Distribution  
in the Second Quarter of 2012**

Distributions required to achieve the target values	\$ 1,158,282.63
<b>Net Cash Flow</b>	
Received in prior quarter	\$ 87,278.36
Distributed previously	\$ -
Deferred for future distribution	\$ -
Distribution	\$ (87,278.36)
<b>Performance Credits</b>	
Received in prior quarter	\$ 176,474.12
Distributed previously	\$ -
Deferred for future distribution	\$ -
Distribution	\$ (176,474.12)
Subtotal	\$ (263,752.48) \$ (263,752.48)
Additional funds required	\$ 894,530.15
<b>Other cash available</b>	
From prior Custody Account balance	\$ 444,530.15
Equity Charter allocation	\$ 357,291.01
New Charter allocation	\$ 87,239.14
	\$ 444,530.15 \$ (444,530.15)

**Recommended cash transfer from the Tip Fee Stabilization Fund \$ 450,000.00**

**Table 5  
Funds Available After Cash Distributions**

Custodial Account balance as of 4/1	\$ 617,630.23
<b>Deposits</b>	
Performance Credits, 4/15 (actual)	\$ 180,730.72
Performance Credits, 5/15 (estimated)	\$ 324,596.07
Performance Credits, 6/15 (estimated)	\$ 386,094.16
Net Cash Flow from PERC, 2Q, estimated	\$ 246,491.10
Subtotal	\$ 1,137,912.05 \$ 1,137,912.05
Transfer from the Tip Fee Stabilization Fund	\$ 450,000.00
<b>Withdrawals</b>	
Distribution to the Charter Municipalities	\$ (1,158,282.63)
Bank fees	\$ (1,200.00)
Projected funds available after distribution	\$ 1,046,059.65
Reserve for next distribution	\$ 1,046,059.65
<b>Transfer to the Tip Fee Stabilization Fund</b>	<b>\$ -</b>
Projected closing balance as of 6/30	\$ 1,046,059.65
Projected closing balance as of 9/30	\$ 907,193.14
Projected closing balance as of 12/31	\$ 757,377.69



Run date		MRC Custody Account: Projected Transactions and Balances, 2012										
4/17/2012		246,491.10										
	Opening Balance	Performance Credits	Net Cash Flow from interest in PERC Partnership	Interest	Bank fees	Transfers to/from the Tip Fee Fund	Distributions to Charter Municipalities	Other as noted	Closing Balance			
<b>Actual</b>												
Jan-12	\$ 2,217,939.69	-	13,916.85	16.58					\$ 2,231,873.12			
Feb-12	\$ 2,231,873.12	-	13,912.85	18.81			(1,191,424.91)	245.95	\$ 1,054,625.82			
Mar-12	\$ 1,054,625.82	176,474.12	54,448.66	8.22	(1,259.92)			(666,666.67)	\$ 617,630.23			
Apr-12	\$ 617,630.23	180,730.72	55,425.28						\$ 853,786.23			
<b>Projected</b>												
May-12	\$ 853,786.23	324,596.07	88,470.08			450,000.00	(1,158,282.63)		\$ 558,569.75			
Jun-12	\$ 558,569.75	386,094.16	102,595.74		(1,200.00)				\$ 1,046,059.65			
Jul-12	\$ 1,046,059.65	331,700.67	88,901.81						\$ 1,466,662.13			
Aug-12	\$ 1,466,662.13	229,449.13	65,415.39				(1,242,656.47)	55.22	\$ 518,925.40			
Sep-12	\$ 518,925.40	306,381.54	83,086.20		(1,200.00)				\$ 907,193.14			
Oct-12	\$ 907,193.14	388,040.08	101,842.56						\$ 1,397,075.78			
Nov-12	\$ 1,397,075.78	373,002.29	98,388.49				(1,390,153.08)		\$ 478,313.48			
Dec-12	\$ 478,313.48	217,575.99	62,688.22		(1,200.00)				\$ 757,377.69			
		2,914,044.77	829,092.13	43.61	(4,859.92)	450,000.00	(4,982,517.09)	(666,365.50)				