

# CommonWealth

Resource Management Corporation

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13 October 2014

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 Fourth Quarter of 2014

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 **fourth** quarter of 2014 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 third quarter of 2014 and preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of October 1, 2014:

- The Custody Account balance at Bangor Savings Bank was **\$2,212,299.84**.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the third quarter of 2014, was **\$21,454,830.37**. 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 October 1, 2014, was **\$1,036,759.82**, which is 4.8 percent of the full value of the fund. Bonds with a face value of **\$1,250,000** are scheduled to reach maturity in the next quarter.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the third quarter of 2014 (also being managed by People's United Bank), was **\$1,726,736.26**. The balance in liquid money market funds readily available for withdrawal as of October 1, 2014, was **\$155,449.64**, which is 9.0 percent of the full value of the fund. Bonds with a face value of **\$75,000** are scheduled to reach maturity during the first quarter of 2015. Bonds maturing in the fourth quarter of 2014 had previously been sold to provide cash for withdrawal.
- Cash distributions payable by the MRC to the Charter Municipalities in the quarter are **\$1,111,136.40** (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 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 Net Position, for the third 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 transfers from the Operating Budget Stabilization Fund to the MRC Operating Fund.

## 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 Charter Municipalities on a pooled basis (which was increased from \$51 per ton as of July 1, 2014); and (b) the target value of **\$55 per ton** of solid waste delivered in the prior quarter for all New Charter Municipalities. The target value is now the same for all Charter Municipalities.

To achieve these target values, the MRC needs to distribute at least **\$1,111,136.40** to the Charter Municipalities to offset a portion of tip fees paid for MSW delivered in the third quarter of 2014 (**\$ 994,740.78** to Equity Charter Municipalities and **\$116,395.62** 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 third quarter of 2014, the following sources of cash are available for the distribution as of October 1, 2014, as described in Table 4:

- **\$372,812.66** in partnership cash distributions (Net Cash Flow) from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter, which funds are being held in the Custody Account.
- **\$1,490,870.57** 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.
- Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in quarters prior to the previous quarter, which are also being held in the Custody Account.

With these sources, the balance in the Custody Account as of October 1, 2014 (which is **2,212,299.84**), is more than sufficient to provide cash for the total recommended distribution to the Charter Municipalities (which is **\$1,111,136.40**). 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 balance that remains in the Custody Account after payment of the cash distribution is projected to be sufficient to provide cash for distributions in the first two quarters of 2015, even if Performance Credits and cash distributions from PERC are minimal. In this context, CRMC recommends that \$1,200,000 be transferred from the Custody Account to the Tip Fee Stabilization Fund.

A full allocation of the Performance Credits and distributions of Net Cash Flow to be distributed to each individual Equity Charter Municipality will be available subsequent to the Board meeting.

#### 4.0 RECOMMENDATIONS

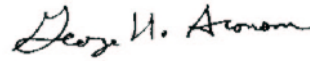
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$1,047,899.16** to the Charter Municipalities as described herein.
2. Transfer **\$1,200,000** from the Custody Account to the Tip Fee Stabilization Fund.

No bond prepayment 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

**Table 1**  
**Joint Venture of the Charter Municipalities of the**  
**Municipal Review Committee, Inc.**  
**Governmental Funds Balance Sheet / Statement of Net Position**  
**Quarterly Basis, 2013-2014, unaudited**

	Notes	Unaudited 10/1/2014	Unaudited 7/1/2014	Unaudited 4/1/2014	Audited 1/1/2014	Audited 10/1/2013
<b>ASSETS</b>						
<b>Cash and cash equivalents</b>						
Custody Account (Bangor Savings Bank)		2,212,299.84	1,397,829.85	1,157,730.59	1,787,330.40	1,275,441.29
<b>Accounts Receivable</b>						
PERC partnership distribution (Net Cash Flow) accrued for prior quarter						
<b>Investments</b>						
Tip Fee Stabilization Fund (portfolio managed by Peoples United Bank)						
Account balance	1	21,392,799.82	21,401,966.49	21,311,286.44	21,258,689.01	20,994,086.79
Accrued interest income		62,030.55	63,017.98	63,380.84	71,369.48	71,776.41
MRC Operating Budget Stabilization Fund (managed by Peoples United Bank)						
Account balance	1	1,722,764.39	1,961,571.05	1,954,471.46	2,201,020.63	2,449,792.73
Accrued interest income		3,971.87	5,395.11	5,862.48	6,407.47	7,590.73
Investment in PERC	2	10,200,747.00	10,200,747.00	10,200,747.00	10,200,747.00	11,231,493.00
<b>TOTAL ASSETS</b>		35,594,613.47	35,030,527.48	34,693,478.81	35,525,563.99	36,030,180.95
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Cash distributions payable, current quarter	3	1,111,136.40	1,047,899.16	912,788.42	1,025,550.86	1,206,303.31
Indenture reserves released, awaiting final allocation						
<b>Statement of Net Position held for the benefit of Charter Municipalities</b>		34,483,477.07	33,982,628.32	33,780,690.39	34,500,013.13	34,823,877.64
<b>TOTAL LIABILITIES AND NET POSITION</b>		35,594,613.47	35,030,527.48	34,693,478.81	35,525,563.99	36,030,180.95
<b>NOTES</b>						
1	Investments valued per market conditions as of date shown to account for unrealized gains and losses, and accrued interest.					
	The MRC Board approved a transfer of \$250,000 from the Custody Account to the MRC Operating Fund rather than to the Tip Fee Stabilization Fund in 3Q 2013, which was repaid by a transfer of bonds from the Operating Budget Stabilization Fund to the Tip Fee Stabilization Fund in 4Q 2013.					
2	Values in 2013 and 2014 are Charter Municipal share of PERC Partners' capital as of the start of 2013 and 2014 using results of audit of MRC Joint Venture financials for 2012 and 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, 2013-2014, unaudited						
		Unaudited	Unaudited	Unaudited	Audited	Audited
	Period	Thirdquarter	Second quarter	First quarter	Fourth quarter	Third quarter
	from	7/1/2014	4/1/2014	1/1/2014	10/1/2013	7/1/2013
	to	10/1/2014	7/1/2014	4/1/2014	1/1/2014	10/1/2013
<b>REVENUES</b>						
	Performance Credits	1,490,870.57	909,949.02	294,929.38	1,369,991.84	1,443,694.97
	Partnership distributions (Net Cash Flow)	372,812.66	243,373.10	102,103.22	349,037.47	365,968.43
	Charter Municipality GAT payments					
	Appreciation (depreciation) of investments					
	Tip Fee Stabilization Fund	(57,128.74)	41,326.91	(12,704.14)	(45,248.17)	6,634.79
	MRC Operating Budget Stabilization Fund	(2,046.00)	6,247.11	(3,577.80)	(1,936.71)	1,001.01
	Interest income					
	Tip Fee Stabilization Fund - interest received	47,962.07	49,353.14	65,301.57	59,850.39	79,095.71
	Tip Fee Stabilization Fund - interest accrued	(987.43)	(362.86)	(7,988.64)	(406.93)	(7,110.07)
	Op Budget Stabilization Fund - interest received	3,239.34	852.48	7,028.63	3,164.61	7,631.33
	Op Budget Stabilization Fund - interest accrued	(1,423.24)	(467.37)	(544.99)	(1,183.26)	125.16
	Custodial Account (interest net of bank fees)	(958.01)	(790.51)	(1,081.55)	(836.89)	(761.98)
	<b>TOTAL REVENUE</b>	<b>1,852,341.22</b>	<b>1,249,481.02</b>	<b>443,465.68</b>	<b>1,732,432.35</b>	<b>1,896,279.35</b>
<b>EXPENDITURES</b>						
	Distributions to Charter Municipalities	1,048,255.23	912,432.35	1,025,550.86	1,206,303.31	1,081,034.30
	Transfer to the MRC Operating Fund	240,000.00		250,000.00		250,000.00
	GAT shortfall penalty payment					
	<b>TOTAL EXPENDITURES</b>	<b>1,288,255.23</b>	<b>912,432.35</b>	<b>1,275,550.86</b>	<b>1,206,303.31</b>	<b>1,331,034.30</b>
	<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>564,085.99</b>	<b>337,048.67</b>	<b>(832,085.18)</b>	<b>526,129.04</b>	<b>565,245.05</b>
<b>ADJUSTMENTS</b>						
	Change in investment in PERC			(1,030,746.00)	-	-
	Reserve funds released					
	Change in cash distribution payable	(63,237.24)	(135,110.74)	112,762.44	180,752.45	(125,269.01)
	Total adjustments	(63,237.24)	(135,110.74)	(917,983.56)	180,752.45	(125,269.01)
	<b>Adjusted Excess of Revenues over Expenses</b>	<b>500,848.75</b>	<b>201,937.93</b>	<b>(1,750,068.74)</b>	<b>706,881.49</b>	<b>439,976.04</b>
<b>CHANGE IN NET POSITION</b>						
	End of period	34,483,477.07	33,982,628.32	33,780,690.39	35,530,759.13	34,823,877.64
	Start of period	33,982,628.32	33,780,690.39	35,530,759.13	34,823,877.64	34,383,901.60
	<b>Change in Net Position over Period</b>	<b>500,848.75</b>	<b>201,937.93</b>	<b>(1,750,068.74)</b>	<b>706,881.49</b>	<b>439,976.04</b>
<b>Note 1</b>	The MRC Board approved a transfer of \$250,000 from the Custody Account to the MRC Operating Fund in 3Q 2013.					
	The transfer was paid from the Tip Fee Stabilization Fund in 3Q 2013 and repaid from the Operating Budget Stabilization Fund in 4Q 2013. \$250,000 was also transferred to the MRC Operating Fund in 2014.					
<b>Note 2</b>	Includes reversal of prior excess payment of \$356.07 to Macwahoc Plantation.					





