

CommonWealth

Resource Management Corporation

21 April 2011

The Municipal Review Committee
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 2011

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 2011 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); the Trust Indenture, which governs the flow of funds associated with the Facility and the permitted uses of reserve funds; and the Surplus Cash Agreement, 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 Trustee.

This letter also 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, and the Fourth Amended and Restated Agreement of Limited Partnership of PERC (the Partnership Agreement).

In this quarter, a recommendation is made to withdraw **\$850,000** from the Tip Fee Stabilization Fund for transfer to the Custody Account. The Board is reminded that funds cannot be withdrawn from the Tip Fee Stabilization without a prior authorizing vote of at least seventy-five percent of those members of the MRC Board of Directors present and voting, but not less than six voting in the affirmative (a Supermajority), at a noticed meeting of the MRC Board of Directors at which a quorum is present.

1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the second quarter of 2011 and four preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of April 1, 2011:

- The Custody Account balance at Bangor Savings Bank was **\$191,807.68**.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the first quarter of 2011, was **\$21,362,963.51**. 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, 2011, was \$1,595,084.17, which is 7.5 percent of the full value of the fund. The liquid balance has been reduced since last quarter, when the MRC had instructed its investment advisor to retain the proceeds of \$3.0 million in bonds that matured in the quarter as cash rather than be reinvested. The instruction was provided in anticipation of a transaction with the PERC private partners that would have required cash of that order of magnitude, but which did not occur as anticipated.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the first quarter of 2011 (also being managed by People's United Bank), was **\$691,113.93**.
- Cash distributions payable in the quarter are **\$1,113,992.66** (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, in the first quarter of 2011 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.

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 \$45 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 the target values, the MRC needs to distribute at least **\$1,113,992.66** to the Charter Municipalities for the first quarter of 2011 (**\$1,032,286.28** to Equity Charter Municipalities and **\$81,706.38** to New Charter Municipalities) based on a tipping fee of **\$74.20** for the previous quarter and the actual tonnages delivered by the Equity and New Charter Municipalities. The basis for this requirement is provided in Table 3.

4.0 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.

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 amount 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 2011, the following sources of cash are available as of April 1, 2011, as described in Table 4:

- **\$47,665.38** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.
- **\$53,690.95** in partnership cash distributions from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.

Note that the balance in the Custody Account of \$191,807.68 as of April 1, 2011, was not sufficient by itself to provide cash for the recommended distribution to the Charter Municipalities. Moreover, the MRC has not received sufficient cash in the form of Performance Credits or cash distributions from PERC in the current quarter to date, and is not expected to receive additional cash in time to make such distribution.

Thus, CRMC recommends that **\$850,000.00** be transferred from the Tip Fee Stabilization Fund to the Custody Account in order to pay cash distributions as described herein. As shown in Table 5, after the distribution, CRMC projects that the Custody Account will have a balance of \$1,152,117.55 by the end of the second quarter of 2011. This balance would be sufficient to pay the projected cash distribution in the third quarter of 2011 without relying on receipt of performance credits or net cash flow from PERC on a current basis. The recommended transfer from the Tip Fee Stabilization Fund to the Custody Account is anticipated to be the last such transfer required to pay cash distributions in calendar year 2011, as shown in Table 6, which projects Custody Account transactions and balances through December 2011.

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 request approval of the following:

1. Transfer **\$850,000** from the Tip Fee Stabilization Fund to the Custody Account. This approval requires a vote in the affirmative by a Supermajority of the MRC Board.
2. Distribute **\$1,113,992.66** to the Charter Municipalities as described herein.

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 Assets
Quarterly Basis, 2010-11, unaudited

	Notes	4/1/2011	1/1/2011	10/1/2010	7/1/2010	4/1/2010	1/1/2010
ASSETS							
Cash and cash equivalents							
Custody Account (Bangor Savings Bank)		191,807.66	858,826.64	1,088,421.86	715,881.50	194,618.58	1,426,768.81
Accounts Receivable							
PERC partnership distribution (Net Cash Flow) accrued for prior quarter							
Investments							
Tip Fee Stabilization Fund (portfolio managed by Merrill Bank)							
Account balance	1	21,245,080.17	21,700,556.69	21,729,124.78	21,588,711.19	22,015,858.95	21,857,305.08
Accrued interest income		117,883.34	139,670.64	146,324.22	152,627.72	152,862.16	171,212.49
MRC Operating Budget Stabilization Fund (managed by Merrill Bank)							
Account balance	1	686,276.03	687,978.10	686,828.96	682,808.83	671,407.55	667,869.75
Accrued interest income		4,837.90	3,355.90	5,010.14	3,401.08	4,970.74	3,867.40
Investment in PERC	2	13,273,239.00	13,273,239.00	13,273,239.00	13,273,239.00	13,273,239.00	13,273,239.00
TOTAL ASSETS		35,519,124.10	36,663,626.97	36,928,948.96	36,416,669.32	36,312,956.98	37,400,262.53
LIABILITIES AND NET ASSETS							
Liabilities							
Cash distributions payable, current quarter		1,113,992.66	1,267,530.14	1,399,961.61	1,209,257.20	1,082,932.08	1,231,249.86
Distributions withheld from prior quarter							
Net Assets		34,405,131.44	35,396,096.83	35,528,987.35	35,207,412.12	35,230,024.90	36,169,012.67
TOTAL LIABILITIES AND NET ASSETS	3	35,519,124.10	36,663,626.97	36,928,948.96	36,416,669.32	36,312,956.98	37,400,262.53
NOTES							
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, 2010, using results of audit of MRC Joint Venture financials for calendar year 2009							
3 Under gaap, Net Assets do not include the following contingent assets, which are the MRC's share of Equity Reserves held by the Trustee to the PERC financing, and would be distributed to the MRC after March 31, 2018							
		Capital Improvement Fund	333,333.33				
		Operating Reserve Account	1,000,000.00				
		Capital Reserve Fund	2,000,000.00				
		Total	3,333,333.33				

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, 2010-11, unaudited						
	Period	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	from	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	to	1/1/2011	10/1/2010	7/1/2010	4/1/2010	1/1/2010
		4/1/2011	1/1/2011	10/1/2010	7/1/2010	4/1/2010
REVENUES						
Performance Credits		47,665.38	917,637.45	1,252,089.76	698,571.47	-
Partnership distributions (Net Cash Flow)		53,690.95	253,554.21	330,375.27	246,003.40	-
Reserve funds released						
Appreciation (depreciation) of investments						
Tip Fee Stabilization Fund		(47,747.86)	(161,998.29)	(31,408.88)	54,317.86	(40,897.02)
MRC Operating Budget Stabilization Fund		(3,999.71)	(3,895.35)	749.12	6,390.77	(57.98)
Interest income						
Tip Fee Stabilization Fund - interest received		92,271.34	133,430.20	171,822.47	178,534.38	199,450.89
Tip Fee Stabilization Fund - interest accrued		(21,787.30)	(6,653.58)	(6,303.50)	(234.44)	(18,350.33)
Op Budget Stabilization Fund - interest received		2,297.64	5,044.49	3,271.01	5,010.51	3,595.78
Op Budget Stabilization Fund - interest accrued		1,482.00	(1,654.24)	1,609.06	(1,569.66)	1,103.34
Custodial Account (interest net of bank fees)		(845.17)	(825.27)	(667.47)	(379.87)	(900.37)
TOTAL REVENUE		123,027.27	1,134,639.62	1,721,536.84	1,186,644.42	143,944.31
EXPENDITURES						
Distributions to Charter Municipalities		1,267,530.14	1,399,961.61	1,209,257.20	1,082,932.08	1,231,249.86
Adjustments to distributions						
TOTAL EXPENDITURES		1,267,530.14	1,399,961.61	1,209,257.20	1,082,932.08	1,231,249.86
EXCESS OF REVENUES OVER EXPENDITURES		(1,144,502.87)	(265,321.99)	512,279.64	103,712.34	(1,087,305.55)
ADJUSTMENTS						
Change in investment in PERC		-	-			
Change in cash distribution payable		153,537.48	132,431.47	(190,704.41)	(126,325.12)	148,317.78
Total adjustments		153,537.48	132,431.47	(190,704.41)	(126,325.12)	148,317.78
Adjusted Excess of Revenues over Expenses		(990,965.39)	(132,890.52)	321,575.23	(22,612.78)	(938,987.77)
CHANGE IN NET ASSETS						
End of period		34,405,131.44	35,396,096.83	35,528,987.35	35,207,412.12	35,230,024.90
Start of period		35,396,096.83	35,528,987.35	35,207,412.12	35,230,024.90	36,169,012.67
Change in Net Assets over Period		(990,965.39)	(132,890.52)	321,575.23	(22,612.78)	(938,987.77)

Table 3			
Distributions to the Charter Municipalities			
in the Second Quarter of 2011			
Equity Charter Municipalities			
Tipping Fee, first quarter 2011		\$	74.20
Target value		\$	(45.00)
Distributions required to achieve the target value, \$ per ton		\$	29.20 (A)
Waste deliveries, Equity Charter Municipalities, tons			35,352.27 (B)
Distributions required to achieve the target value		\$	1,032,286.28 (A) x (B)
New Charter Municipalities			
Tipping Fee, first quarter 2011		\$	74.20
Target value		\$	(54.00)
Distributions required to achieve the target value, \$ per ton		\$	20.20 (D)
Waste deliveries, new Charter Municipalities, tons			4,044.87 (E)
Distributions required to achieve the target value		\$	81,706.38 (D) x (E)
Summary for all Charter Municipalities			
Equity Charter Municipalities		\$	1,032,286.28 (A) x (B)
New Charter Municipalities		\$	81,706.38 (D) x (E)
Total		\$	1,113,992.66

Table 4			
Uses and Sources of Cash for the Distribution			
in the Second Quarter of 2011			
Distributions required to achieve the target values		\$	1,113,992.66
Net Cash Flow			
Received in prior quarter	\$	53,690.95	
Distributed previously	\$	-	
Deferred for future distribution	\$	-	
Distribution		\$	(53,690.95)
Performance Credits			
Received in prior quarter	\$	47,665.38	
Distributed previously			
Deferred for future distribution	\$	-	
Distribution		\$	(47,665.38)
Subtotal		\$	(101,356.33) \$ (101,356.33)
Additional funds required			\$ 1,012,636.33
Other cash available			
Custody Balance on April 1, 2011		\$	191,807.66
		\$	191,807.66 \$ (191,807.66)
Minimum required cash transfer from the Tip Fee Stabilization Fund			\$ 820,828.67
Adjustments			
Recommended margin		\$	30,000.00
Rounding			(828.67)
Subtotal			29,171.33 29,171.33
Total recommended cash transfer from the Tip Fee Stabilization Fund			850,000.00

Table 5			
Funds Available After Cash Distributions			
Custodial Account balance as of 4/1			\$ 191,807.66
Deposits			
Performance Credits, 4/15 (actual)	\$	180,713.34	
Performance Credits, 5/15 (estimated)	\$	391,525.02	
Performance Credits, 6/15 (estimated)	\$	389,344.26	
Net Cash Flow from PERC, 2Q	\$	263,619.93	
Subtotal	\$	1,225,202.55	\$ 1,225,202.55
Transfer from the Tip Fee Stabilization Fund			\$ 850,000.00
Withdrawals			
Distribution to the Charter Municipalities			\$ (1,113,992.66)
Bank fees			\$ (900.00)
Projected funds available after distribution			\$ 1,152,117.55
Reserve for next distribution			
Transfer to the Tip Fee Stabilization Fund			\$ -
Projected closing balance as of 6/30			\$ 1,152,117.55
Performance Credits, 7/15 (projected)	\$	312,285.64	
Net Cash Flow from PERC 7/15 (projected)	\$	85,642.47	
Subtotal	\$	397,928.11	\$ 397,928.11
Projected balance as of 7/31			\$ 1,550,045.66
Projected distribution as of 8/10			\$ (1,279,199.75)
Projected margin for next distribution			\$ 270,845.91