

## **Equity Charter Municipality Assets: Shares of the Custody Account and the Tip Fee Stabilization Fund**

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The Equity Charter Municipalities own shares of the following two assets that are associated with the ongoing operation of the PERC Facility:

- The Custody Account, which serves as the working capital account for receipt of Performance Credits and cash distributions paid by the PERC Partnership to the Equity Charter Municipalities, and for payment of quarterly cash rebates to the Charter Municipalities to achieve the target values for net disposal cost.
- The Tip Fee Stabilization Fund, which has been used to manage excess funds from the Custody Account in safe and conservative investments to be available for use in tip fee stabilization.

The MRC projects that the total balance of these funds as of the scheduled date for termination of the waste disposal agreements with PERC (March 31, 2018) will be on the order of \$25 million. The MRC has worked hard over the past years to identify potential applications of these funds that are both (i) fair and equitable for the Equity Charter Municipalities in whose names the funds are held; and (ii) consistent with the MRC's mission to ensure affordable, long-term, environmentally-sound disposal of MSW on behalf of its membership.

The MRC considered carefully whether to return all of these funds to the membership. There is no denying that distribution of all of the funds would provide an attractive one-time cash windfall to the Equity Charter Municipalities; however, the MRC could not identify an approach that, in the absence of a sustainable course for the PERC facility, would avoid a severe shortfall of waste disposal capacity after the PERC facility closes. The result would be rapid spikes in the cost for MSW disposal, most likely involving return to large-scale landfill disposal, the costs of which might quickly overwhelm the benefits of the windfall without providing a basis for management of the MSW generated in the region on a long-term, sustainable or affordable basis. Such a course would be in direct conflict with the MRC mission.

The MRC considered whether to use the funds as the basis either to purchase the PERC facility from the private partners or to develop a new facility that would be publicly-owned and operated. Unfortunately, despite repeated requests from the MRC, the private partners never provided a serious proposal to sell the PERC facility at a price that was within the means of the Equity Charter Municipalities. Moreover, preliminary investigations indicated that a new publicly-owned facility would require the Equity Charter Municipalities to take on significant debt to pay for construction over and above the amount of funds in reserve. MRC surveys of the Equity Charter Municipalities clearly showed an overwhelming preference to avoid taking on such debt and to avoid the responsibilities and liabilities of public ownership.

Given these choices, the MRC ultimately decided to use these funds to achieve two goals: secure a level of public control in the facility that would process the MSW; and continue to stabilize tip fees for the long-term to keep solid waste management affordable. Up to \$5.0 million of the funds will be used to purchase and develop a site in Hampden (currently under option) at which a next-generation processing facility that would serve Maine municipalities is being developed by a private entity (Fiberight). By purchasing the site in the name of the Equity Charter Municipalities that elect to stay together, the MRC can continue to exercise oversight over the Fiberight facility as it has over the PERC facility, but as landlord rather than as a limited partner, which avoids the difficulties and challenges of being limited partners in a privately-owned and controlled partnership as is the case with the Equity Charter Municipalities in the PERC Partnership. Moreover, as owner of the site, if the Fiberight facility fails, the MRC can make the site available for redevelopment as a modern transfer station, conventional single-stream processing facility, source-separated organics processing facility, or other facility that might serve the waste management needs of the region. The remaining funds would be used for tip fee stabilization, either by supplementing rebates from Fiberight or by establishing a new generation of reserve funds that insulate the municipalities from liabilities and contingencies. In the view of the MRC, this approach provides the best way to apply the funds toward a long-term, environmentally-sound method for managing MSW at an affordable cost.

A full description of the potential uses of these funds is set forth in Schedule JA-B to the Joinder Agreements. That schedule also sets forth methods of allocation to ensure that, in a continuation of the policy the MRC has followed since 1998, the funds can benefit all Charter Municipalities, but ownership and residual value of the funds remain in the names of the Equity Charter Municipalities.

Attachment A provides an interim allocation of the funds in the Custody Account and the Tip Fee Stabilization Fund among the Equity Charter Municipalities for illustration purposes only. The allocation is based on (a) a projected balance of \$25 million as of March 31, 2018 (which includes \$5.0 million for purchase and development of the Hampden site); and (b) pro rata application of the relative shares of each Equity Charter Municipality in these funds as of October 31, 2015, which is the most recent date for which an allocation was performed. Note that the actual allocation will be revised in 2018 after the deposits and distributions through 2018 are known, and after the MRC has determined which Equity Charter Municipalities will stay together as Joining Members and which will leave the MRC.

**Attachment A**

**Allocation of Tip Fee Stabilization Fund and Custody Account  
Among the Equity Charter Municipalities**

Interim shares of projected balance of \$25 M for illustration purposes only

Actual values will be revised based on deposits and distributions through 1Q 2018

<b>Equity Charter Municipality</b>	<b>Allocated Share</b>		<b>Equity Charter Municipality</b>	<b>Allocated Share</b>
Albion	\$ 132,835.28		Midcoast SWD	\$ 1,112,429.32
Alton	\$ 50,659.34		Mid-Maine SWD	\$ 625,115.81
Atkinson	\$ 17,705.58		Milford	\$ 161,727.76
Baileyville	\$ 263,268.06		Millinocket	\$ 437,157.01
Bangor	\$ 4,208,096.74		Milo	\$ 195,212.06
Bar Harbor	\$ 867,545.85		Monson	\$ 34,912.10
Blue Hill/Surry	\$ 594,699.92		Mt. Desert/EMR	\$ 1,052,608.77
Boothbay RRDD	\$ 776,121.30		Newburg	\$ 80,627.78
Bradley	\$ 69,122.21		Old Town	\$ 646,731.81
Brewer	\$ 1,079,485.90		Orland	\$ 52,045.03
Brooks	\$ 42,968.16		Orono	\$ 602,254.85
Brownville	\$ 105,474.55		Otis	\$ 29,217.98
Bucksport	\$ 317,871.56		Palmyra	\$ 104,456.68
Burnham	\$ 87,656.70		Parkman	\$ 28,975.10
Carmel	\$ 148,970.73		Penobscot Co.	\$ 126,118.65
Central Penobscot	\$ 299,112.75		Pleasant River SWD	\$ 177,916.27
China	\$ 267,727.14		Plymouth	\$ 74,163.36
Clifton	\$ 52,326.04		Reed Pt	\$ 13,656.19
Clinton	\$ 346,383.63		Rockland	\$ 810,879.16
Dedham	\$ 63,951.33		Sangerville	\$ 81,141.80
Dover-Foxcroft	\$ 314,685.98		Searsport	\$ 169,143.24
Eddington	\$ 128,171.65		Stetson	\$ 71,766.42
Enfield	\$ 114,674.39		Steuben	\$ 84,716.38
Fairfield	\$ 481,151.40		Stonington	\$ 153,740.87
Glenburn	\$ 279,850.80		Thomaston Group	\$ 571,442.53
Gouldsboro	\$ 120,653.03		Thorndike	\$ 42,244.27
Greenbush	\$ 81,930.56		Troy	\$ 30,540.64
Guilford	\$ 186,646.86		Union River SWD	\$ 51,639.20
Hampden	\$ 509,549.85		Unity	\$ 123,366.01
Hancock	\$ 83,032.27		Vassalboro	\$ 214,509.68
Hermon	\$ 454,435.70		Veazie	\$ 108,901.00
Holden	\$ 138,550.14		Verona	\$ 43,235.87
Jackson	\$ 19,069.50		Waldoboro Group	\$ 478,935.37
Lamoine	\$ 88,492.50		Waterville etc.	\$ 1,518,358.36
Lee	\$ 57,679.25		Winslow	\$ 500,569.03
Levant	\$ 130,713.06		West Gardiner	\$ 171,040.68
Lincoln	\$ 541,643.92		Winthrop	\$ 441,735.05
Lucerne	\$ 39,331.64		<b>Total</b>	<b>\$ 25,000,000.00</b>
Mariaville	\$ 20,553.84			
Mars Hill	\$ 135,807.05			
Mattawamkeag	\$ 58,161.72			