

CommonWealth

Resource Management Corporation

17 January 2016

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 2016

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 2016 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).

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 additional funds be transferred from the Custody Account to the Tip Fee Stabilization Fund.

1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the first quarter of 2016 and preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of January 1, 2016:

- The Custody Account balance at Bangor Savings Bank was **\$2,376,269.00**. This balance includes the \$600,000 that was authorized to be transferred from the Custody Account to the Tip Fee Stabilization Fund in the fourth quarter of 2015, but which transfer had not occurred as of the end of 2015.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the fourth quarter of 2015, was **\$24,659,018.84**. This fund is held in the form of a ladder of agency bonds and bank 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, 2016, was \$3,012,563.74, which is 12.2 percent of the full value of the fund. Note that the amount of agency bonds coming due in the next quarter is \$1.150 million, with an additional \$1.250 million in agency bonds and \$850,000 in CDs scheduled to reach maturity in the second quarter of 2016. These funds will be reinvested by the investment advisor unless directed otherwise by the MRC Board. If not reinvested, the total liquid funds available by June 30, 2016, would be \$6.26 million. These values do not include the \$600,000 that was authorized to be transferred from the Custody Account to the Tip Fee Stabilization Fund in the fourth quarter of 2015, but which transfer had not occurred as of the end of 2015.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the fourth quarter of 2015 (also being managed by People's United Bank), was **\$862,528.97**. The balance in liquid money market funds readily available for withdrawal as of January 1, 2016, was \$130,795.54, which is 15.2 percent of the full value of the fund. Note that \$50,000 of CDs, but no agency bonds, are scheduled to reach maturity in the first quarter of 2016. Note that \$100,000 in agency bonds are scheduled to reach maturity in the second quarter of 2016, which funds will be reinvested by the investment advisor unless directed otherwise by the MRC Board.
- Cash distributions payable by the MRC to the Charter Municipalities in the quarter are **\$795,182.79** (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 2015 and preceding quarters. 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 the target value of **\$59 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 **\$795,182.79** to the Charter Municipalities to offset a portion of tip fees paid for MSW delivered in the fourth quarter of 2015 (**\$ 712,225.55** to Equity Charter Municipalities and **\$82,957.44** to New Charter Municipalities) based on the tipping fee of **\$76.80** 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 \$59 per ton for the net disposal cost to all Equity Charter Municipalities on a system-wide average basis. The value of \$59 per ton became effective on July 1, 2015, in accordance with a schedule of increases in the target values approved previously by the MRC Board of Directors. An increase in the target value to \$63 per ton is scheduled to be effective on July 1, 2016.

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 \$59 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 2015, the following sources of cash are available for the distribution as of January 1, 2016, as described in Table 4:

- **\$421,711.55** 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.
- **\$1,721,989.89** 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 and the Tip Fee Stabilization Account.
- **Performance Credits** from prior quarters held in the Custody Account of the Tip Fee Stabilization Account.

With these sources, the balance in the Custody Account as of January 1, 2016 (which is **\$2,376,269.00**), is more than sufficient to provide cash for the total recommended distribution to the Charter Municipalities (which is **\$795,182.79**), even if the \$600,000 previously authorized for transfer to the Tip Fee Stabilization Fund is transferred. Therefore, no transfer of cash from the Tip Fee Stabilization Fund to the Custody Account is needed to make the distribution.

The cash in the Custody Account might or might not be needed to provide cash for the distribution anticipated for the second quarter of 2016, depending on the amounts and timings of distributions from PERC in the quarter. Therefore, CRMC recommends that the Board not authorize additional transfers of cash from the Custody Account to the Tip Fee Stabilization Fund. A full allocation of the Note Payments and Performance Credits to be distributed to each Charter Municipality will be available after the Board meeting.

4.0 RECOMMENDATIONS

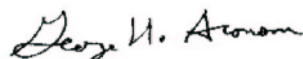
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$795,182.79** to the Charter Municipalities as described herein.

Neither a bond prepayment nor additional 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, 2015, unaudited

	Notes	Unaudited 1/1/2016	Unaudited 10/1/2015	Unaudited 7/1/2015	Unaudited 4/1/2015	Audited 1/1/2015
ASSETS						
Cash and cash equivalents						
Custody Account (Bangor Savings Bank)		\$ 2,376,269.00	\$ 1,214,192.95	\$ 1,632,013.10	\$ 1,608,993.30	1,977,458.06
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	24,605,560.98	24,638,757.02	23,392,988.20	22,162,920.88	22,020,352.74
Accrued interest income		53,457.86	57,021.31	53,693.37	58,017.94	56,690.11
MRC Operating Budget Stabilization Fund (managed by Peoples United Bank)						
Account balance	1	860,237.04	861,494.86	859,329.12	1,234,161.12	1,526,965.86
Accrued interest income		2,291.93	2,882.19	2,363.33	3,048.46	4,706.61
Value of ownership share of the PERC Partnership	2	10,300,414.00	10,300,414.00	10,300,414.00	10,300,414.00	10,300,414.00
TOTAL ASSETS		38,198,230.81	37,074,762.33	36,240,801.12	35,367,555.70	35,886,587.38
LIABILITIES AND NET POSITION						
Liabilities						
Cash distributions payable, current quarter	3	795,182.79	980,741.20	955,141.05	818,275.89	976,379.58
Indenture reserves released, awaiting final allocation						
Statement of Net Position held for the benefit of Charter Municipalities		37,403,048.02	36,094,021.13	35,285,660.07	34,549,279.81	34,910,207.80
TOTAL LIABILITIES AND NET POSITION		38,198,230.81	37,074,762.33	36,240,801.12	35,367,555.70	35,886,587.38
NOTES						
1	Investments valued per market conditions as of date shown to account for unrealized gains and losses, and accrued interest. Balance as of July 1, 2015, includes pending transfer of \$1,200,000.					
2	Charter Municipal share of PERC Partners' capital as of the start of 2015 using results of audit of MRC Joint Venture financials for 2014.					
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, 2015, unaudited					
	Period	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	from	Fourth quarter	Third quarter	Second quarter	First quarter
	to	10/1/2015	7/1/2015	4/1/2015	1/1/2005
		1/1/2016	10/1/2015	7/1/2015	4/1/2015
ADDITIONS (revenue)					
PERC Performance Credits		1,721,989.89	1,392,449.40	1,636,212.71	470,676.75
Share of PERC's net income (Net Cash Flow)		421,711.55	346,013.19	406,198.82	138,478.13
Charter Municipality GAT payments					
Appreciation (depreciation) of investments					
Tip Fee Stabilization Fund		(74,875.31)	12,785.97	(22,688.71)	82,983.47
MRC Operating Budget Stabilization Fund		(1,907.61)	70.50	1.37	-
Interest and dividend income					
Tip Fee Stabilization Fund - interest received		41,679.27	32,982.85	52,756.03	59,584.67
Tip Fee Stabilization Fund - interest accrued		(3,563.45)	3,327.94	(4,324.57)	1,327.83
Op Budget Stabilization Fund - interest received		649.79	2,095.24	1,591.63	-
Op Budget Stabilization Fund - interest accrued		(590.26)	518.86	(685.13)	(1,658.15)
Custodial Account (interest net of bank fees)		(884.19)	(1,141.69)	(1,115.84)	(1,240.06)
TOTAL REVENUE (ADDITIONS)		2,104,209.68	1,789,102.26	2,067,946.31	750,152.64
DEDUCTIONS (expenditures)					
Distributions to Charter Municipalities (rebates)		980,741.20	955,141.05	818,275.89	976,379.58
Transfer to the MRC Operating Fund				376,425.00	300,000.00
GAT shortfall penalty payment					
TOTAL EXPENDITURES (DEDUCTIONS)		980,741.20	955,141.05	1,194,700.89	1,276,379.58
EXCESS OF ADDITIONS OVER DEDUCTIONS		1,123,468.48	833,961.21	873,245.42	(526,226.94)
ADJUSTMENTS					
Change in value of ownership position in PERC					99,667.00
Reserve funds released					
Change in cash distribution payable		185,558.41	(25,600.15)	(136,865.16)	158,103.69
Total adjustments		185,558.41	(25,600.15)	(136,865.16)	257,770.69
Adjusted Excess of Additions over Deductions		1,309,026.89	808,361.06	736,380.26	(268,456.25)
CHANGE IN NET POSITION					
End of period		37,403,048.02	36,094,021.13	35,285,660.07	34,549,279.81
Start of period		36,094,021.13	35,285,660.07	34,549,279.81	34,810,540.80
Change in Net Position over Period		1,309,026.89	808,361.06	736,380.26	(261,260.99)

Table 3				
Distributions to the Charter Municipalities				
in the First Quarter of 2016				
Equity Charter Municipalities				
	Tipping Fee, fourth quarter 2015		\$	76.80
	Target value		\$	(59.00)
	Distributions required to achieve the target value, \$ per ton		\$	17.80 (A)
	Waste deliveries, Equity Charter Municipalities, tons			40,012.66 (B)
	Distributions required to achieve the target value		\$	712,225.35 (A) x (B)
New Charter Municipalities				
	Tipping Fee, fourth quarter 2015		\$	76.80
	Target value		\$	(59.00)
	Distributions required to achieve the target value, \$ per ton		\$	17.80 (D)
	Waste deliveries, New Charter Municipalities, tons			4,660.53 (E)
	Distributions required to achieve the target value		\$	82,957.44 (D) x (E)
Summary for all Charter Municipalities				
	Equity Charter Municipalities		\$	712,225.35 (A) x (B)
	New Charter Municipalities		\$	82,957.44 (D) x (E)
	Total		\$	795,182.79
Table 4				
Uses and Sources of Cash for the Distribution				
in the First Quarter of 2016				
	Distributions required to achieve the target values		\$	795,182.79
Net Cash Flow				
	Total received, 4Q		\$	421,711.55
	Distributed previously		\$	-
	Deferred for future distribution		\$	-
	Distribution		\$	421,711.55
			\$	(421,711.55)
Performance Credits				
	Received in prior quarter		\$	1,721,989.89
	Distributed previously		\$	-
	Deferred for future distribution		\$	(1,348,518.65)
	Distribution		\$	373,471.24
	Equity Charter Municipalities - direct		\$	290,513.80
	New Charter Municipalities - indirect		\$	82,957.44
	Total distribution		\$	373,471.24
	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 1/1/2016			\$ 2,376,269.00
Deposits - 1Q 2016			
	Net Cash Flow from PERC, 1Q (estimated)	62,434.79	
	Performance Credits, 1/16 (estimated)	55,322.21	
	Performance Credits, 2/16 (estimated)	91,021.00	
	Performance Credits, 3/16 (estimated)	11,520.67	
	Subtotal	\$ 220,298.67	\$ 220,298.67
Withdrawals - 1Q 2016			
	Distribution to the Charter Municipalities		
	Net Cash Flow distributed	\$ (421,711.55)	
	Performance Credits distributed	\$ (373,471.24)	
	Subtotal		\$ (795,182.79)
	Bank fees		\$ (1,500.00)
	Other adjustments	transfer authorized in October 2015	\$ (600,000.00)
Projected balance after deposits and withdrawals			\$ 1,199,884.88
Transfer from the Tip Fee Stabilization Fund,1Q 2016			\$ -
Balance after transfer			\$ 1,199,884.88