



Memorandum

DATE: May 4, 2010
TO: Chairman and Members of the Board
FROM: Kevin H. Roche, General Manager
SUBJECT: **Agenda for the Finance Committee Meeting**

There is a Finance Committee Meeting scheduled for **Tuesday, May 11, 2010 at 4:00PM at ecomaine's** Waste-to-Energy facility. The agenda for this meeting is as follows:

1. Approval of the April 8, 2010 Budget Workshop/Finance Committee Meeting Minutes (*Attachment A*)
2. Review of 5-year Plan & New Financial Reporting formats
 - Kathleen Tyson of Runyon Kersteen Ouellette
3. Review of Designated Reserve balances (*Attachment B*)
4. Review of Financial Statements (*Attachments C-1 & C-2*)
5. Review of Capital Expenditures
6. Status of Accounts Receivable
7. Other Items
8. Future Meetings:
 - Executive Committee Meeting: Thursday, May 20th @ 4:00PM.
 - Recycling Committee Meeting: Wednesday, June 2nd @ 4:00PM.
 - Annual Meeting: Thursday, June 17th @ 11:30AM.

The Finance Committee may wish to go into Executive Session for any of the above items under Section 405 of Title 1 of the Maine Revised Statutes ([per the following legislative website: http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html](http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html)).

Owner Communities

Bridgton
Cape Elizabeth
Casco
Cumberland
Falmouth
Freeport
Gorham
Gray
Harrison
Hollis
Limington
Lyman
North Yarmouth
Ogunquit
Portland
Pownal
Scarborough
South Portland
Waterboro
Windham
Yarmouth

Associate Members

Baldwin
Hiram
Naples
Parsonsfield
Porter
Saco
Standish

Recycling Members

Andover
Cornish
Monmouth
Poland
Sanford

DATE: April 12, 2010
TO: Chair and Members of the Finance Committee
FROM: Kevin H. Roche, General Manager
SUBJECT: Minutes of April 8, 2010 **ecomaine** Budget Workshop and Finance Committee Meeting

There was an **ecomaine** Budget Workshop and Finance Committee Meeting on Thursday, April 8, 2010, at the Waste-to-Energy facility. The meeting was called to order at 3:00PM.

There were four items on the Agenda:

1. Approval of the January 14, 2010 Finance Committee Meeting minutes
2. Budget Workshop: Review of FY '11 Budget Proposal & 5-Year Financial Plan
3. Other Items
4. Future Meetings

Item #1 – Approval of the January 14, 2010 Finance Committee Meeting Minutes

Mr. Van Gaasbeek moved that **the Finance Committee hereby approve the minutes of the January 14, 2010 Finance Committee meeting as presented.** The motion was seconded by Mr. Cole and passed with a unanimous vote of the Committee.

Item #2 – Budget Workshop: Review of FY '11 Budget Proposal & 5-Year Financial Plan

Mr. Roche gave a powerpoint presentation regarding the above (which was also a handout at the meeting).

Highlights of this Review:

Tonnage from our Member Communities has decreased substantially from \$159,000 in FY 2005 to \$120,000 in FY 2010. However, total tonnage is increasing, despite the economy, due to the new spot market. We have made up all lost tons from sources both inside and outside the state (we have an additional 5,000 tons of easy access trash at the landfill, if required).

Spot Market Revenue has increased from \$735K in 2005 to \$2.7M in FY 2010.

Waste-to-Energy *Electrical* Revenues: Electrical Revenues have increased from \$3.7M in FY 2005 to \$6.1M in FY 2010. The forecast is conservative and we believe it will be closer to \$6.5 - \$6.8 million, depending on how quickly we're able to generate electricity after outage is complete. There will be a 7% decrease for next year as our present contract ends in February, 2011 and we don't know what the new contract will look like yet. There may be an option for us to extend the contract with Macquarie, but the terms may not be as good as the previous contract.

Recycling Revenues were \$1.6M in 2005, increased to \$3.1M in 2008 and down to \$2.4M in 2010.

Total Revenues have held steady at \$26M since 2005. Comparing 2010 Budget to the 2011 Budget, the expense increase is covered with additional revenues. Revenues will go up by \$378,173 and expenses will go up by \$219,064. Net operating income will be up \$159,109.

Mr. Roche reviewed each of the cost centers for Administration, Waste-to-Energy, Recycling and Landfill. In addition, he reviewed the Statement of Cash Flows and the Capital Improvement Projects, which total \$2.2M.

Mr. Cole made a motion that the **ecomaine** *Operating Budget*, as proposed, be recommended to the Board for approval. The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee.

Mr. Cole also made a motion that the **ecomaine** *Capital Budget*, as proposed, be recommended to the Board for approval. The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee.

Mr. Roche then presented an updated Five-Year Financial Plan that was prepared by staff. In 2017, Mr. Roche noted that the Single-Sort Recycling machines will be 10 years old.

Mr. Roche reiterated that the focus needs to be on tonnage and running our facilities at full capacity. He also stated that we need to improve pollution control, continue to upgrade the landfill, do more education in schools and businesses and work on removing food waste and other organic material from the waste stream.

Regarding Line Item 6313 (Testing, performed every two years), Mr. Regier asked that staff look at this to see if there is a way to flow it out, so that it's consistent each year. Mr. Roche explained that the Testing line was more the exception, but staff could look at this in the future, if the Committee was interested. Mr. Regier also asked if we could see a Five-Year Plan where the assessments decreased. Mr. Roche cautioned about decreasing assessments until **ecomaine** had enough cash on hand.

Mr. McGovern would like to have Kathy Tyson (of Runyon Kersteen Ouellette, our auditors) come to a Finance Committee Meeting (as opposed to an Audit Committee Meeting) to give **ecomaine** some feedback on what **ecomaine** needs for cash (regarding a Five-Year Plan) and also to discuss **ecomaine's** "risk tolerance". Mr. McGovern also requested alternative spreadsheets that may communicate the benefits of **ecomaine** ownership (the Five-Year plan) as well as a listing of amounts regarding the renovation of the first floor Boardroom.

The Finance Committee decided that more work was needed on the "Five-Year Plan".

At the next Board Meeting, on April 15, 2010, Mr. Regier will be filling in for Mr. McGovern and will give the Finance Committee Report. Mr. McGovern stated that he believes that we can review the budget quickly using the same powerpoint presentation utilized today. Mr. Regier can give a brief overview of what the Finance Committee discussed at its' April 8th Meeting.

The next Finance Committee meeting will be sometime in May (now May 11th at 4:00PM). Mr. McGovern would like to begin that meeting with the Five-Year plan. Also at that meeting, Mr. Regier would like to continue to discuss what **ecomaine** needs in reserves to operate.

Item #9 – Future Meetings

- Full Board Meeting: Thursday, April 15th @ 4:00PM.
- Recycling Committee Meeting: Wednesday, May 5th @ 4:00PM.
- Executive Committee Meeting: Thursday, May 20th @ 4:00PM.
- Recycling Committee Meeting: Wednesday, June 2nd @ 4:00PM.
- Annual Meeting: Thursday, June 17th @ 11:30AM.

Mr. Van Gaasbeek then made a motion to adjourn the meeting. The motion was seconded by Ms. McGinty and all were in favor. The meeting adjourned at 5:00PM.

PRESENT:

D. Cole
S. McGinty
M. McGovern
R. Regier
L. Van Gaasbeek
M. Bobinsky
L. Boudreau
A. Bradstreet
J. Gailey
T. Moon
A. Plante

ABSENT:

E. Auden
J. Miller
M. St. Clair

Staff: E. Doane, T. Raymond, K. Roche, Kevin Trytek and L. Trufant.

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Notes to Financial Statements, Continued

RETIREMENT PLAN, CONTINUED

Other Plans - In addition to the above plan, a second defined contribution was established in the fiscal year ended June 30, 2007 to provide retirement contributions in excess of 8% to specified employees. Such pension expense amounted to \$2,869 and \$2,705 on covered wages of \$143,450 and \$135,237 for the years ended June 30, 2009 and 2008, respectively.

Social Security - ecomaine participates in the Social Security retirement program. ecomaine's contributions to Social Security were \$323,798 and \$286,714 for the years ended June 30, 2009 and 2008, respectively.

UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Designated for:		
Capital replacement	\$ 1,158,761	606,227
Long-term maintenance fees	500,000	500,000
Landfill expansion	129,969	129,969
Regulatory penalties	84,082	84,082
Debt stabilization	1,777,654	1,777,654
Electrical revenue	484,589	484,589
Bond interest	428,709	428,709
Tipping fees	3,091,372	3,091,372
Recycling Facility Electrical Connection	-	230,000
Landfill long-term maintenance	-	109,277
Total designated	7,655,136	7,441,879
Undesignated	(2,694,011)	(213,068)
Total unrestricted	\$ 4,961,125	7,228,811

Capital Replacement - The funds are intended to be used to repair, replace, or upgrade parts of the facility that may experience premature wear or damage.

Long-term Maintenance Fees - Prior to 1990 ecomaine charged various amounts on a per ton basis for the purpose of establishing a fund for future long-term maintenance costs at the balefill location. Commencing in 1990, specific per ton fees were no longer incorporated in the rate structure.

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Notes to Financial Statements, Continued

UNRESTRICTED NET ASSETS, CONTINUED

Landfill Expansion - This balance was created in response to ecomaine's decision subsequent to fiscal 2005 to expand the landfill site. Funds were set aside primarily to meet fiscal 2007 costs related to increasing the landfill's capacity.

Regulatory Penalties - This reserve was designated to receive funds in order to fulfill any future liabilities assessed by government regulatory agencies.

Debt Stabilization - This balance was established as a result of the June 2005 debt refinancing. Funds will be set aside in years in which debt obligations have been reduced, so that the resulting reserves will lessen or eliminate the need for increased revenues in years in which obligations will be greater.

Electrical Revenue - This balance was created to provide a hedge against the inability to produce power or unexpected decreases in the rate for which ecomaine can sell their power.

Bond Interest - This balance was created to provide a hedge against unexpected/unbudgeted increases in the variable rate bond rates.

Tipping Fees - This balance was created to provide a hedge against the impact on the tip fees of the diversion of large amounts of MSW to other facilities.

Recycling Facility Electrical Connection - This reserve was established to fund an electrical connection of the recycling building to the primary facility.

Other Long-term Maintenance - This reserve was established to set aside funds for landfill-related maintenance projects.

NET ASSETS INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

Net Assets - Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable. ecomaine's net assets invested in capital assets, net of related debt, were calculated as follows at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Capital assets	\$ 119,294,238	117,860,578
Accumulated depreciation	(82,437,068)	(79,710,936)
Bonds payable	(29,884,222)	(40,471,044)
Capital leases	(1,756,234)	(1,670,091)
Total invested in capital assets net of related debt	\$ 5,216,714	(3,991,493)

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Statement of Revenue and Expenses
For the Nine Months Ending March 31, 2010

	<u>Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
Operating revenues			
Municipal assessments	\$3,509,275.46	\$3,508,990.38	\$285.08
Owners tipping fees	3,405,998.97	3,373,326.00	32,672.97
Associate tipping fees	656,249.21	622,233.72	34,015.49
Commercial tipping fees	3,887,653.76	3,401,705.97	485,947.79
Spot market tipping fees	2,390,305.41	1,767,047.22	623,258.19
Electrical generating revenues	5,460,735.04	5,003,656.00	457,079.04
Sales of recycled goods	1,968,322.93	749,999.97	1,218,322.96
Recycling tipping fees	27,729.84	74,999.97	(47,270.13)
Gorham property assessments	103,714.03	82,500.03	21,214.00
Other operating income	191,485.42	243,750.06	(52,264.64)
	<u>21,601,470.07</u>	<u>18,828,209.32</u>	<u>2,773,260.75</u>
Operating expenses			
Administrative expenses	1,820,449.94	1,854,923.16	(34,473.22)
Waste-to-energy operating expenses	5,347,272.12	5,776,385.11	(429,112.99)
Recycling operating expenses	1,066,073.20	1,143,886.41	(77,813.21)
Landfill/ashfill operating expenses	1,127,153.74	1,099,922.57	27,231.17
Contingency	310.50	281,250.00	(280,939.50)
Landfill closure and postclosure care costs	0.00	0.00	0.00
Depreciation & amortization	4,050,000.00	4,050,000.00	0.00
	<u>13,411,259.50</u>	<u>14,206,367.25</u>	<u>(795,107.75)</u>
Net operating income	<u>8,190,210.57</u>	<u>4,621,842.07</u>	<u>3,568,368.50</u>
Non-operating income (expense)			
Interest income	53,786.75	144,375.03	(90,588.28)
Interest expense	(788,103.97)	(1,158,674.94)	370,570.97
	<u>(734,317.22)</u>	<u>(1,014,299.91)</u>	<u>279,982.69</u>
Total revenue less expenses	<u><u>7,455,893.35</u></u>	<u><u>3,607,542.16</u></u>	<u><u>3,848,351.19</u></u>

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Statement of Revenue and Expenses
For the Month ended March 31, 2010

	<u>Actual</u>	<u>March Budget</u>	<u>Variance</u>
Operating revenues			
Municipal assessments	\$389,888.02	\$389,887.82	\$0.20
Owners tipping fees	366,331.68	374,814.00	(8,482.32)
Associate tipping fees	(90,796.47)	69,137.08	(159,933.55)
Commercial tipping fees	461,034.53	377,967.33	83,067.20
Spot market tipping fees	421,404.97	196,338.58	225,066.39
Electrical generating revenues	525,281.49	505,547.00	19,734.49
Sales of recycled goods	313,110.32	83,333.33	229,776.99
Recycling tipping fees	0.00	8,333.33	(8,333.33)
Gorham property assessments	30,379.67	9,166.67	21,213.00
Other operating income	28,454.32	27,083.34	1,370.98
	<u>2,445,088.53</u>	<u>2,041,608.48</u>	<u>403,480.05</u>
Operating expenses			
Administrative expenses	221,697.28	212,769.24	8,928.04
Waste-to-energy operating expenses	694,659.07	646,524.27	48,134.80
Recycling operating expenses	133,594.57	127,098.49	6,496.08
Landfill/ashfill operating expenses	148,535.29	112,996.99	35,538.30
Contingency	0.00	31,250.00	(31,250.00)
Landfill closure and postclosure care costs	0.00	0.00	0.00
Depreciation & amortization	450,000.00	450,000.00	0.00
	<u>1,648,486.21</u>	<u>1,580,638.99</u>	<u>67,847.22</u>
Net operating income	<u>796,602.32</u>	<u>460,969.49</u>	<u>335,632.83</u>
Non-operating income (expense)			
Interest income	4,802.03	16,041.67	(11,239.64)
Interest expense	(86,339.70)	(128,741.66)	42,401.96
	<u>(81,537.67)</u>	<u>(112,699.99)</u>	<u>31,162.32</u>
Total revenue less expenses	<u><u>715,064.65</u></u>	<u><u>348,269.50</u></u>	<u><u>366,795.15</u></u>