



Memorandum

DATE: October 14, 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 **Thursday, October 21, 2010 at 3:00PM** at **ecomaine's** Waste-to-Energy facility. The agenda for this meeting is as follows:

1. Approval of the September 16, 2010 Finance Committee Meeting Minutes (*Attachment A*)
2. Review of September Financial Statements
 - Statement of Revenues and Expenses (*Attachment B*)
 - Cash Flows
 - Balance Sheet (*Attachment C*)
3. Review of Approvals before full Board:
 - Approval of Cash Reserve Policy (*Attachment D*)
 - Approval of Assessments (*Attachment E*)
4. Status of Accounts Receivable
5. Review of 5-Year Plan (*to be sent under separate cover*)
6. Other Items
7. Future Meetings:
 - Full Board Meeting: October 21st (Thursday) @ 4:00PM.
 - Recycling Committee: November 3rd (Wednesday) @ 4:00PM.
 - Executive Committee: November 18th (Thursday) @ 4:00PM.
 - Recycling Committee: December 1st (Wednesday) @ 4:00PM.
 - Executive Committee: December 16th (Thursday) @ 4:00PM.

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: September 17, 2010
TO: Chair and Members of the Finance Committee
FROM: Kevin H. Roche, General Manager
SUBJECT: Minutes of September 16, 2010 **ecomaine** Finance Committee Meeting

There was an **ecomaine** Finance Committee Meeting on Thursday, September 16, 2010, at the Waste-to-Energy facility. The meeting was called to order at 3:05PM.

There were nine (9) items on the Agenda:

1. Approval of the June 15, 2010 Finance Committee Meeting Minutes
2. Review of updated Cash Reserve Policies for Executive Committee approval
3. Review of year-end 2010 Financials
4. Review of August Financial Statements
5. Review of Capital Projects
6. Status of Accounts Receivable
7. Repayment of Term Loan
8. Other Items
9. Future Meetings

Item #1 – Approval of the June 15, 2010 Finance Committee Meeting Minutes

Mr. Bobinsky moved that *the Finance Committee hereby approve the minutes of the June 15, 2010 Finance Committee meeting as presented.* The motion was seconded by Mr. Regier and passed with a unanimous vote of the Committee.

Item #2 – Review of updated Cash Reserve Policies for Executive Committee approval

After much discussion, Mr. Regier made a *motion that the Finance Committee recommend to the Executive Committee that the Cash Reserve Policies should be reviewed every 2-3 years, adjusted as necessary and then be approved by the Board.* The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee. (Note: the term “Cash Reserve Guidelines was changed to Cash Reserve Policies”.)

Item #3 – Review year-end 2010 Financials

The Committee reviewed Attachments C-1 and C-2.

Attachment C-1 (*Statement of Revenue and Expenses for the Twelve Months Ending June 30, 2010*) agrees with the Audit Report that will be available shortly. Overall revenues are positive by \$4.1 million for the year. Operating Expenses are \$1.5 million positive. Excluding depreciation expense, which is non-cash, results for FY '10 were positive compared to budget by \$4. 6 million.

Mr. Doane reviewed Attachment C-2 (*the balance sheet for the Twelve Months Ending June 30, 2010*). He discussed in detail the assets, liabilities and retained earnings sections.

Item #4 - Review of August Financial Statements

Mr. Roche noted that Attachment D (*Statement of Revenue and Expenses for the Two Months Ending August 31, 2010*) looks good.

The Committee reviewed Handout #1 (*ecomaine Corporate Member Assessments, Updated Five Year Averages for 6/30/10*) and the two proposals noted in Handout #2 (*ecomaine Member Assessments*).

The two proposals from Handout #2 are as follows:

<u>Proposal</u>	<u>Assessment</u>	<u>Savings to Town</u> (revenue loss to ecomaine)
1. Freeze cost per ton @ \$80.00	\$4,612,184	\$66,470
2. Freeze cost per ton @ \$77.05	\$4,442,110	\$236,544

A discussion followed concerning how **ecomaine** would make up the shortfall in the reduction of income.

Mr. Gailey then made a motion to recommend Proposal #2 to the Executive Committee. The motion was seconded by Mr. Van Gaasbeek and passed by the Committee. (*Note, if the Executive Committee accepts the recommendation, this Proposal would next go before the full Board at its meeting in October for their vote.*)

Item #5 - Review of Capital Projects

Mr. Roche brought the Finance Committee up to date on Capital Projects, Handout #5 (*FY '11 Capital Projects Statement*).

One of the Capital Projects has been started, the RO System (water treatment), with a projected expenditure of \$31,422.

He also noted that \$130,000 has been added and allocated to upgrade the first floor meeting room at **ecomaine's** Waste-to-Energy Facility. The major upgrade will be expansion of the space to meet the needs of meetings, events and tours.

Mr. Bobinsky made a motion to accept the Capital Projects expenditures. The motion was seconded by Ms. Boudreau and passed with a unanimous vote of the Committee.

Item #6 – Status of Accounts Receivable

It was noted that Accounts Receivable, Handout #6 (ecomaine Accounts Receivable, August, 2010) is improving.

ecomaine is also receiving payments from Penobscot Valve, a business we were not certain we would be receiving our monies from. It also appears that we may start receiving money owed to us by Corcoran Environmental.

Item #7 – Repayment of Term Loan

On June 17, 2010, **ecomaine's** Board had voted to repay the \$750,000 loan in the first quarter of the new fiscal year. This was done in August, 2010.

ecomaine will maintain the \$3 million dollar Line of Credit for emergency purposes.

Item #8 – Other Items

The next Finance Committee Meeting will be on Thursday, October 21st at 3:00PM (just prior to the full Board Meeting that day at 4:00PM).

Mr. Van Gaasbeek made a motion to adjourn the meeting. The motion was seconded by Ms. Boudreau and all were in favor. The meeting adjourned at 4:03PM.

PRESENT:

M. Bobinsky
L. Boudreau
J. Gailey
J. Miller
R. Regier
M. St. Clair
L. Van Gaasbeek

ABSENT:

D. Cole
S. McGinty
T. Plante
D. Woodsome

Staff: E. Doane, K. Roche, L. Trufant.

ecomaine
Statement of Revenue and Expenses
For the Three Months Ending September 30, 2010

	Actual	YTD Budget	Variance
Operating revenues			
Municipal assessments	\$1,170,000.29	\$1,169,663.46	\$336.83
Owners tipping fees	1,148,914.80	1,039,038.00	109,876.80
Associate tipping fees	233,128.13	246,272.01	(13,143.88)
Commercial tipping fees	1,490,077.98	1,171,689.99	318,387.99
Spot market tipping fees	635,654.84	525,000.00	110,654.84
Electrical generating revenues	1,791,575.44	1,656,462.00	135,113.44
Sales of recycled goods	718,930.83	562,500.00	156,430.83
Recycling tipping fees	3,871.35	6,249.99	(2,378.64)
Gorham property assessments	27,500.01	27,500.01	0.00
Other operating income	82,777.73	61,250.01	21,527.72
Total operating revenues	<u>7,302,431.40</u>	<u>6,465,625.47</u>	<u>836,805.93</u>
Operating expenses			
Administrative expenses	610,643.81	620,275.95	(9,632.14)
Waste-to-energy operating expenses	1,863,763.82	1,939,457.79	(75,693.97)
Recycling operating expenses	416,960.70	394,396.23	22,564.47
Landfill/ashfill operating expenses	335,060.25	387,802.74	(52,742.49)
Contingency	0.00	62,499.99	(62,499.99)
Landfill closure and postclosure care costs	0.00	0.00	0.00
Post-retirement benefit	0.00	0.00	0.00
Depreciation & amortization	975,000.00	999,999.99	(24,999.99)
Total operating expenses	<u>4,201,428.58</u>	<u>4,404,432.69</u>	<u>(203,004.11)</u>
Net operating income	<u>3,101,002.82</u>	<u>2,061,192.78</u>	<u>1,039,810.04</u>
Non-operating income (expense)			
Interest income	10,058.69	12,500.01	(2,441.32)
Interest expense	(140,141.33)	(187,773.99)	47,632.66
Net non-operating	<u>(130,082.64)</u>	<u>(175,273.98)</u>	<u>45,191.34</u>
Total revenue less expenses	<u>2,970,920.18</u>	<u>1,885,918.80</u>	<u>1,085,001.38</u>

ECOMAINE

For the Three Months Ending September 30, 2010

	<u>2011</u> <u>YTD</u>
ASSETS	
Current assets:	
Cash, operating	\$7,402,410.34
Cash, capital reserve fund	2,556,207.84
Cash, held by trustee for bond payments	2,435,936.48
Accounts receivable - customers	1,424,505.00
Accounts receivable - other	524,573.19
Inventory	1,847,573.90
Prepaid expenses	152,839.80
Total current assets	<u>16,344,046.55</u>
Property, plant and equipment:	
Property, plant and equipment	120,710,393.90
Less: accumulated depreciation	<u>87,298,665.50</u>
Net property, plant and equipment	<u>33,411,728.40</u>
Restricted cash and cash equivalents:	
Restricted cash, debt reserve fund	<u>3,291,708.98</u>
Other assets:	
Gorham materials recovery facility	<u>2,230,000.00</u>
Total other assets	<u>2,230,000.00</u>
Total assets	<u><u>\$55,277,483.93</u></u>

ECOMAINE

For the Three Months Ending September 30, 2010

	<u>2011</u> <u>YTD</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$233,287.10
Accrued expenses	565,612.40
Accrued compensated absences	569,547.76
Current portion of long-term debt	6,630,000.00
Current portion of capital leases	<u>180,620.00</u>
Total current liabilities	<u>8,179,067.26</u>
Other liabilities:	
Long-term debt, bonds	4,560,000.00
Capital leases	1,382,857.70
Accrued landfill closure and postclosure costs	15,138,501.92
Accrued post-retirement benefit	193,462.00
Total liabilities	<u><u>29,453,888.88</u></u>

ECOMAINE

For the Three Months Ending September 30, 2010

	<u>2011</u> <u>YTD</u>
NET ASSETS (EQUITY)	
Invested in capital assets, net of related debt	<u>\$5,216,714.32</u>
Restricted reserves:	
Restricted - debt service reserve	3,291,443.00
Restricted - construction funds	<u>4,528.00</u>
Total restricted reserves	<u>3,295,971.00</u>
Designated reserves:	
Capital reserve	<u>2,972,914.00</u>
Total designated reserves	<u>2,972,914.00</u>
Other unrestricted reserves:	
Fund balance	7,985,997.74
Due to / from other funds	3,381,077.81
Revenue less expenses, current year	<u>2,970,920.18</u>
Subtotal unrestricted reserves	<u>14,337,995.73</u>
Total designated and unrestricted	<u>17,310,909.73</u>
Total net assets	<u><u>25,823,595.05</u></u>

Cash Reserve Policies

A. Operating Cash Reserve

Objective: To provide financial security for extraordinary events that could cause a significant decrease in operating revenues or increase in operating expenses. The reserve would be used to fund operations during this period and until assessments could be adjusted, if needed, to provide sufficient cash flow to maintain operations. The goal would be to build a reserve for six months of cash operating expenses.

Action: Fund the reserve in a three year period starting in 2014.

B. Long-Term Capital Fund

Objective: To reserve funds for new capital projects which have not been provided in the annual capital plan. New capital projects are large projects in which the necessity and timing is not known at the present time. These could be projects to upgrade the current facilities or add additional capacity or functionality. It is estimated that the potential amount of new projects could cost a total of \$21 million within seven years. We believe that one-half of the new projects should be bonded and one-half should be funded through a long-term capital fund.

Action: Fund the reserve in a three year period starting in 2014.

C. Landfill Closure and Post Closure Care Cost Reserve

Objective: To fully fund the landfill closure and post closure care costs during its useful life. As of June 30, 2009 the used capacity of the landfill was 66.8% and the closure and post closure care liability associated with the used capacity is \$14.8 million. The goal is to fully fund the existing liability, as of June 30, 2009, within 20 years.

Action: Beginning in 2014 reserve funds to fund the landfill closure costs so that the accrued liability will be fully funded in twenty years. Reserve \$711,500 annually.

D. Favorable Cash Flow

To provide financial relief to owner communities if and when the financial position of ecomaine becomes more favorable.

E. Periodic Review

Cash Reserve Policies should be reviewed every 2-3 years and adjusted and approved, as necessary, by the full Board.

CORPORATE MEMBER ASSESSMENTS
Updated Five Year Averages for 6/30/2010

Finance Committee Recommendation

Community	Average MSW Tons for '06-'10	% of Total	Budget FY '12		Difference	Budget FY '11		Proposal 1 Difference	Budget FY '12		Proposal 2 Difference
			Annual Assessment	Annual Assessment		Annual Assessment	Proposal 1		Proposal 2		
Bridgton	2,540.69	4.41%	\$206,184.66	\$205,264.45	(\$920.21)	\$203,255	\$203,255	\$2,009.09	\$195,760.32	\$195,760.32	\$9,504.13
Cape Elizabeth	3,230.25	5.60%	262,144.65	265,435.15	\$3,290.50	258,420.32	258,420.32	\$7,014.83	248,891.07	248,891.07	16,544.08
Casco	961.52	1.67%	78,030.35	75,965.09	(\$2,065.26)	76,921.76	76,921.76	(\$956.67)	74,085.27	74,085.27	1,879.82
Cumberland	1,936.98	3.36%	157,191.48	167,794.37	\$10,602.89	154,958.24	154,958.24	\$12,836.13	149,244.15	149,244.15	18,550.22
Falmouth	2,477.29	4.30%	201,039.07	204,171.40	\$3,132.33	198,182.88	198,182.88	\$5,988.52	190,874.89	190,874.89	13,296.51
Freeport	2,044.05	3.55%	165,880.69	163,972.02	(\$1,908.67)	163,524.00	163,524.00	\$448.02	157,494.05	157,494.05	6,477.97
Gorham	2,257.54	3.92%	183,206.03	176,394.35	(\$6,811.68)	180,603.20	180,603.20	(\$4,208.85)	173,943.46	173,943.46	2,450.89
Gray	2,665.23	4.62%	216,291.44	206,495.88	(\$9,795.56)	213,218.56	213,218.56	(\$6,722.68)	205,356.13	205,356.13	1,139.75
Harrison	1,133.48	1.97%	91,985.09	91,982.31	(\$2.78)	90,678.24	90,678.24	\$1,304.07	87,334.48	87,334.48	4,647.83
Hollis	1,304.57	2.26%	105,869.87	116,273.26	\$10,403.39	104,365.76	104,365.76	\$11,907.50	100,517.27	100,517.27	15,755.99
Limington	1,889.71	3.28%	153,355.38	151,240.57	(\$2,114.81)	151,176.64	151,176.64	\$63.93	145,602.00	145,602.00	5,638.57
Lyman	1,128.39	1.96%	91,572.02	97,299.14	\$5,727.12	90,271.04	90,271.04	\$7,028.10	86,942.30	86,942.30	10,356.84
North Yarmouth	1,097.55	1.90%	89,069.58	98,265.05	\$9,195.47	87,804.16	87,804.16	\$10,460.89	84,566.38	84,566.38	13,698.67
Ogunquit	670.02	1.16%	54,374.43	53,777.78	(\$596.65)	53,601.92	53,601.92	\$175.86	51,625.35	51,625.35	2,152.43
Portland	11,054.22	19.17%	897,082.42	887,676.42	(\$9,406.00)	884,337.44	884,337.44	\$3,338.98	851,727.50	851,727.50	35,948.92
Pownal	329.71	0.57%	26,756.94	28,288.83	\$1,531.89	26,376.80	26,376.80	\$1,912.03	25,404.16	25,404.16	2,884.67
Scarborough	6,168.08	10.70%	500,557.57	508,746.94	\$8,189.37	493,446.08	493,446.08	\$15,300.86	475,250.26	475,250.26	33,496.68
South Portland	7,341.99	12.73%	595,823.84	582,173.66	(\$13,650.18)	587,358.88	587,358.88	(\$5,185.22)	565,700.02	565,700.02	16,473.64
Waterboro	2,260.91	3.92%	183,479.68	181,407.60	(\$2,072.08)	180,872.96	180,872.96	\$534.64	174,203.27	174,203.27	7,204.33
Windham	2,319.04	4.02%	188,196.62	181,473.86	(\$6,722.76)	185,522.88	185,522.88	(\$4,049.02)	178,681.72	178,681.72	2,792.14
Yarmouth	2,841.08	4.93%	230,562.19	234,555.87	\$3,993.68	227,286.56	227,286.56	\$7,269.31	218,905.37	218,905.37	15,650.50
	57,652.30	100.00%	\$4,678,654.00	\$4,678,654.00	(\$0.00)	\$4,612,183.68	\$4,612,183.68	\$66,470.32	\$4,442,109.41	\$4,442,109.41	\$236,544.59