



Memorandum

DATE: June 8, 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, June 15, 2010 at 4:00PM at ecomaine's** Waste-to-Energy facility. The agenda for this meeting is as follows:

1. Approval of the May 11, 2010 Finance Committee Meeting Minutes
2. Review of 5-Year Plan (*Attachment A*)
 - Proposed policies and funding goals
3. Review of May Financial Statements
 - Statement of Revenues and Expenses
 - Cash Flows
4. Status of Accounts Receivable
5. Other Items
6. Future Meetings:
 - Annual Meeting: Thursday, June 17th @ 11:30AM.



Guiding Principles for Cash Reserves

A. Operating Cash Reserves

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, or approximately \$7 million.

Action: Fund the reserve in a three year period starting in 2014. Reserve \$2 million in 2014, \$3 million in 2015, and \$2 million in 2016.

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. This projection reflects that \$11 million of new projects will be completed by 2016 and will be financed through new bonding. Funding for the remaining \$10 million in new projects will be provided by funding a long-term capital reserve.

Goal: Reserve \$3 million for FY 2014 and 2015 and \$4 million for FY 2016.

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 (\$14.2 million divided by 20 years).

**Projected Statement of Revenues and Expenses
For Years Ended June 30, 2008 - 2016**

| | Actual 6/30/2008 | Actual 6/30/2009 | Budget 6/30/2010 | Forecast 6/30/2010 | Budget 6/30/2011 | Projected 6/30/2012 | Projected 6/30/2013 | Projected 6/30/2014 | Projected 6/30/2015 | Projected 6/30/2016 | Notes |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------|
| Operating Revenues | | | | | | | | | | | |
| Municipal assessments | \$ 4,611,193 | \$ 4,678,702 | \$ 4,678,654 | \$ 4,678,654 | \$ 4,678,654 | \$ 4,678,654 | \$ 4,678,654 | \$ 4,678,654 | \$ 4,678,654 | \$ 2,339,327 | |
| Municipal tipping fees | 5,061,760 | 4,787,218 | 4,497,768 | 4,324,800 | 4,156,152 | 4,156,152 | 4,156,152 | 4,156,152 | 4,156,152 | 4,156,152 | 1 |
| Associate members | 851,433 | 864,095 | 829,645 | 1,025,061 | 985,088 | 985,088 | 985,088 | 985,088 | 985,088 | 985,088 | 1 |
| Commercial tipping fees | 6,256,666 | 5,433,109 | 4,535,608 | 5,050,408 | 4,686,760 | 4,686,760 | 4,686,760 | 4,686,760 | 4,686,760 | 4,686,760 | 1 |
| Spot market | 854,522 | 1,884,478 | 2,356,063 | 2,730,000 | 2,100,000 | 2,100,000 | 2,100,000 | 2,100,000 | 2,100,000 | 2,100,000 | 1 |
| Electrical generation | 4,745,063 | 6,250,476 | 6,082,941 | 6,082,941 | 5,657,198 | 5,100,000 | 5,355,000 | 5,622,750 | 5,903,888 | 6,199,082 | 2 |
| Sales of recycled goods | 3,112,437 | 2,034,325 | 1,000,000 | 2,413,884 | 2,250,000 | 2,317,500 | 2,387,025 | 2,458,636 | 2,532,395 | 2,608,367 | 3 |
| Recycling tipping fees | - | 136,587 | 100,000 | 28,308 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 1 |
| Gorham property | 138,284 | 141,722 | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 | - | - | 4 |
| Other | 405,551 | 265,297 | 325,000 | 237,019 | 245,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | |
| Total operating revenues | 26,036,909 | 26,476,009 | 24,515,679 | 26,681,075 | 24,893,852 | 24,309,154 | 24,633,679 | 24,973,040 | 25,217,936 | 23,249,776 | |
| Operating expenses | | | | | | | | | | | |
| Administrative expenses | 2,267,986 | 2,420,593 | 2,847,231 | 2,446,380 | 2,731,104 | 2,813,037 | 2,897,428 | 2,984,351 | 3,073,882 | 3,166,098 | 5 |
| WTE operating expenses | 8,718,902 | 8,440,743 | 8,553,469 | 8,598,794 | 8,760,797 | 9,023,621 | 9,294,330 | 9,573,159 | 9,860,354 | 10,156,165 | 5 |
| Recycling operating expenses | 1,636,370 | 1,508,877 | 1,521,182 | 1,462,465 | 1,577,585 | 1,624,913 | 1,673,660 | 1,723,870 | 1,775,586 | 1,828,853 | 5 |
| Landfill operating expenses | 1,190,468 | 1,690,169 | 1,479,751 | 1,492,557 | 1,551,211 | 1,597,747 | 1,645,680 | 1,695,050 | 1,745,902 | 1,798,279 | 5 |
| Landfill closure and post-closure costs | 186,620 | 188,841 | - | - | - | - | - | - | - | - | |
| Depreciation and amortization | 5,200,630 | 4,014,904 | 5,400,000 | 5,400,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | |
| Total operating expenses | 19,200,976 | 18,264,127 | 19,801,633 | 19,400,196 | 18,620,697 | 19,059,318 | 19,511,097 | 19,976,430 | 20,455,723 | 20,949,395 | |
| Net operating income | 6,835,933 | 8,211,882 | 4,714,046 | 7,280,879 | 6,273,155 | 5,249,836 | 5,122,582 | 4,996,609 | 4,762,213 | 2,300,381 | |
| Non-operating income (expense) | | | | | | | | | | | |
| Interest income | 589,266 | 203,637 | 192,500 | 61,296 | 50,000 | 79,819 | 76,439 | 89,038 | 117,389 | 131,827 | |
| Interest expense | (1,925,080) | (1,448,289) | (1,544,900) | (1,127,692) | (751,096) | (450,900) | (100,000) | (24,000) | (440,000) | (396,000) | |
| Post-retirement benefit | - | (92,220) | - | - | - | - | - | - | - | - | |
| Net non-operating | (1,335,814) | (1,336,872) | (1,352,400) | (1,066,396) | (701,096) | (371,081) | (23,561) | 65,038 | (322,611) | (264,173) | |
| Total revenue less expense | \$ 5,500,119 | \$ 6,875,010 | \$ 3,361,646 | \$ 6,214,483 | \$ 5,572,059 | \$ 4,878,755 | \$ 5,099,021 | \$ 5,061,647 | \$ 4,439,602 | \$ 2,036,208 | |

Assumptions

- 1 - Projected at 2011 budget levels, no increase
- 2 - Projected to 10% decrease at contract renewal in February 2011, then increase by 5% per year beginning FY '13
- 3 - Projected to increase by 3% annually
- 4 - Assessment will end in FY 2014
- 5 - Projected to increase by 3% annually

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Projected Statement of Cash Flows
For Years Ended June 30, 2009 - 2016

| | Actual 6/30/2009 | Budget 6/30/2010 | Forecast 6/30/2010 | Budget 6/30/2011 | Projected 6/30/2012 | Projected 6/30/2013 | Projected 6/30/2014 | Projected 6/30/2015 | Projected 6/30/2016 |
|---|----------------------|----------------------|-----------------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Cash flows from operating activities: | | | | | | | | | |
| Net operating income | \$ 8,211,882 | \$ 4,714,046 | \$ 7,280,879 | \$ 6,273,155 | \$ 5,249,836 | \$ 5,122,582 | \$ 4,996,609 | \$ 4,762,213 | \$ 2,300,381 |
| Addback: depreciation | 4,014,904 | 5,400,000 | 5,400,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| Addback: landfill closure costs | 188,841 | - | - | - | - | - | - | - | - |
| Other working capital changes | (1,165,490) | - | - | - | - | - | - | - | - |
| Net cash provided by operating activities | 11,250,137 | 10,114,046 | 12,680,879 | 10,273,155 | 9,249,836 | 9,122,582 | 8,996,609 | 8,762,213 | 6,300,381 |
| Cash flows from capital and related financing activities: | | | | | | | | | |
| Payment of interest | (1,448,289) | (1,544,900) | (1,127,692) | (751,096) | (450,900) | (100,000) | (24,000) | (440,000) | (396,000) |
| Repayment of long-term debt | (10,415,000) | (8,135,000) | (8,135,000) | (10,450,000) | (6,630,000) | (3,975,000) | (285,000) | (300,000) | - |
| Repayment of capital leases | (183,990) | (180,000) | (180,000) | (180,000) | (150,000) | (120,000) | (120,000) | (120,000) | (120,000) |
| Bonding for capital projects | - | - | - | - | - | - | 11,000,000 | - | - |
| Repayment of new bonds | - | - | - | - | - | - | - | (1,100,000) | (1,100,000) |
| Net cash used in capital and related financing | (12,047,279) | (9,859,900) | (9,442,692) | (11,381,096) | (7,230,900) | (4,195,000) | 10,571,000 | (1,960,000) | (1,616,000) |
| Cash flows from investing activities: | | | | | | | | | |
| Receipts of interest | 203,637 | 192,500 | 61,296 | 50,000 | 79,819 | 76,439 | 89,038 | 117,389 | 131,827 |
| Capital expenditures | (2,703,966) | (1,746,000) | (2,204,173) | (2,241,800) | (2,620,000) | (5,835,000) | (2,786,000) | (2,990,000) | (3,667,000) |
| Capital expenditures - bonded | - | - | - | - | - | - | (11,000,000) | - | - |
| Proceeds from financing | - | - | 750,000 | (750,000) | - | - | - | - | - |
| Net cash used in investing activities | (2,500,329) | (1,553,500) | (1,392,877) | (2,941,800) | (2,540,181) | (5,758,561) | (13,696,962) | (2,872,611) | (3,535,173) |
| Net increase (decrease) in cash | (3,297,471) | (1,299,354) | 1,845,310 | (4,049,741) | (521,245) | (830,979) | 5,870,647 | 3,929,602 | 1,149,208 |
| Cash, beginning of period | 21,726,401 | 18,428,930 | 18,428,930 | 20,274,240 | 16,224,499 | 15,703,254 | 14,872,275 | 15,031,422 | 12,249,524 |
| Restricted Cash for Reserves: | | | | | | | | | |
| Operating Cash Reserve | | | | | | | (2,000,000) | (3,000,000) | (2,000,000) |
| Long-Term Capital Reserve | | | | | | | (3,000,000) | (3,000,000) | (4,000,000) |
| Landfill Closure Care Reserve | | | | | | | (711,500) | (711,500) | (711,500) |
| Cash, end of period | \$ 18,428,930 | \$ 17,129,576 | \$ 20,274,240 | \$ 16,224,499 | \$ 15,703,254 | \$ 14,872,275 | \$ 15,031,422 | \$ 12,249,524 | \$ 6,687,232 |