ecomaine

Memorandum

DATE: January 7, 2010

TO: Chairman and Members of the Board

FROM: Kevin H. Roche, General Manager

SUBJECT: **Agenda for the Finance Committee Meeting**

There is an **ecomaine Finance Committee Meeting** scheduled for **Thursday, January 14, 2010 at 4:00 p.m.** at **ecomaine's** Waste-to-Energy facility. The agenda for this meeting is as follows:

1. Approval of the November 2, 2009 Finance Committee Meeting Minutes ***(Attachment A)***

2. Review of December Financial Statements ***(Handout)***
   - Statement of Revenue and Expenses
   - Balance Sheet

3. Review of Capital Expenditures ***(Handout)***

4. Proposal for Term Loan and Line of Credit ***(Attachment B)***

5. 2011 Budget Schedule ***(Attachment C)***

6. Status of Bonds

7. Status of Accounts Receivable *(Handout)*

8. Other Items – **ecomaine** outlook and perspectives from Board Members

9. Future Meetings:
   - Full Board Meeting: Thursday, January 21st @ 4:00PM.
   - Recycling Committee: *Wednesday*, February 3rd @ 4:00PM.
   - Audit Committee: Thursday, February 18th @ 3:00PM.
   - Executive Committee: Thursday, February 18th @ 4:00PM.
   - Recycling Committee: *Wednesday*, March 3rd @ 4:00PM
   - Finance Committee: Thursday, March 4th @ 4:00PM
   - Full Board Meeting: Thursday, March 18th @ 4:00PM
   - Budget Workshop: Thursday, April 8th @ 4:00PM
   - Full Board Meeting: Thursday, April 15th @ 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.).

ecomaine

Attachment A

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: November 4, 2009

TO: Chair and Members of the Finance Committee

FROM: Kevin H. Roche, General Manager

SUBJECT: Minutes of November 2, 2009 **ecomaine** Finance Committee Meeting

The Finance Committee of **ecomaine** met on *Monday*, November 2, 2009, at the Waste-to-Energy facility. The meeting was called to order at 4:03PM.

There were nine items on the Agenda:

1. Approval of 9/8/09 Finance Committee Meeting minutes
2. Review of September Financial Statements
3. Review of Capital Expenditures
4. Change of Trustee for bond funds
5. Updating of financing activities and review of 5-year plan
6. Status of Accounts Receivable
7. Review of Recycling Costs
8. Other Items
9. Future Meetings

Item #1 – Approval of the 9/8/09 Finance Committee Meeting Minutes

Mr. Regier moved that **the Finance Committee hereby approve the minutes of the September 8, 2009 Finance Committee meeting as presented.** The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee.

Item #2 – Review of September Financial Statements

Mr. Doane reviewed *Attachment B-2 – **ecomaine** Statement of Revenue and Expenses for the Three Months Ending September 30, 2009* and noted that the variance between Actual and YTD Budget for Total Revenues Less Expenses is favorable.

He also reviewed the Balance Sheet Handout titled *"**ecomaine** – for the Three Months Ending September 30, 2009"*, noting that the Total Assets minus the Total Liabilities is $16,382,712.77. Mr. Doane reviewed details of the Balance Sheet with the Committee.

Anthony T. Plante, Chairman . Kevin H. Roche, General Manager
64 Blueberry Road, Portland, Maine 04102 . Tel: 207-773-1738 . Fax: 207-773-8296 . www.ecomaine.org
Printed on 100% Post-Consumer Recycled Paper

Item #3 – Review of Capital Expenditures

Mr. Roche noted that *Handout #1 (FY' 2010 Capital Projects Budget)* was done at the request of the Committee. The information was reviewed and it was noted that with the new GAAP accounting system, encumbrances are not used.

Mr. McGovern thanked staff and everyone on the Finance Committee for their assistance regarding the capital improvements budget.

Item #4 – Change of Trustee for Bond Funds

Mr. Doane stated that **ecomaine** will announce its new trustee within the next two weeks.

Item #5 – Updating of Financing Activities and Review of 5-Year Plan

Mr. Doane explained the Bond covenant and noted that on June 30, 2010, **ecomaine** may be deficient $739,000 and will need to have a term note to make up this potential covenant deficiency. This note could possibly be for 3+ years.

ecomaine may also seek a line of credit of $2-5 million. This would be a good idea since **ecomaine** is a capital intensive industry and may need to perform repairs on short notice.

A discussion of reserves followed.

Mr. Cole then made a motion that the Finance Committee recommend to the full Board that ecomaine borrow $2 million before fiscal year end 09/10 to meet the requirements of our bond. The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee.

The Board will take up this motion at its' January 21, 2010 meeting.

Mr. Cole then made a motion that the Finance Committee authorize the General Manager to explore establishing a line of credit and report back. The motion was seconded by Mr. Van Gaasbeek and passed with a unanimous vote of the Committee.

Item #6 – Status of Accounts Receivable

Receivables are being collected as noted in *Handout #2 (**ecomaine** Accounts Receivable Aging, October, 2009)*.

Item #7 – Review of Recycling Costs

Mr. Regier had requested the information contained in *Handout #3 (**ecomaine** Recycling Product Line Analysis – Fully Allocated Costs*. Mr. Roche and Mr. Doane reviewed the worksheet with the Finance Committee.

Item # 8 – Other Items

If Mr. McGovern is unable to attend the next Executive Committee Meeting on November 19th, Mr. Regier will give the Finance Report.

Item #9 – Future Meetings

- Recycling Committee: (Thursday) November 5th @ 4:00PM.
- Executive Committee: (Thursday) November 19th @ 4:00PM.
- Recycling Committee: (Thursday) December 3rd @ 4:00PM.
- Executive Committee: (Thursday) December 17th @ 4:00PM.
- Recycling Committee: (Thursday) January 7, 2010 @ 4:00PM
- Board Meeting: (Thursday) January 21, 2010 @ 4:00PM.

Mr. Miller then made a motion to adjourn the meeting. The motion was seconded by Mr. Cole and all were in favor. The meeting adjourned at 5:40PM.

PRESENT:
D. Cole
M. McGovern
J. Miller
R. Regier
L. Van Gaasbeek

ABSENT:
S. McGinty
M. St. Clair

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

ECOMAINE

A RESOLUTION AUTHORIZING ECOMAINE TO ENTER INTO A TERM LOAN AND A REVOLVING LINE OF CREDIT

WHEREAS, **ECOMAINE**, as the successor by merger to Regional Waste Systems, Inc.("**ecomaine**"), a noncapital stock nonprofit corporation of the State of Maine, has constructed and operates certain solid waste disposal facilities, as well as ancillary facilities necessary or convenient in connection therewith, including, without limitation, facilities for the generation of electricity and recycling equipment and facilities, for the purpose of processing solid waste generated by the member municipalities of **ecomaine** (each such member municipality to be known hereinafter as a "Member Municipality"), as well as other non-member users, and of generating electricity to be sold to third-party users (such solid waste disposal, recycling and resource recovery facilities, ancillary facilities and any additional facility which **ecomaine** may build, operate or use in furtherance of its legal purposes, and all activities leading or related to acquiring, constructing, reconstructing, improving, installing, equipping, financing, refinancing and operating the same, to be known hereinafter as the "System"); and

WHEREAS, pursuant to Title 13, Chapter 81, Title 30, Chapter 203, Title 30-A, Chapter 115, Title 10, Chapter 110, Subchapter IV and Title 38, Section 1304-B of the Maine Revised Statutes, **ecomaine** is authorized by an Interlocal Solid Waste Agreement dated December 1, 2005, as amended (the "Interlocal Agreement'), by and among the Member Municipalities, as approved by the Maine Department of Environmental Protection and filed with the Clerk of each Member Municipality and the Maine Secretary of State, to issue notes, bonds, debentures or other debt obligations, including obligations the interest on which is excluded from the gross income of the holders thereof for purposes of federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), and to otherwise borrow such sums of money as shall be required in order to finance and refinance costs associated with the System; and

WHEREAS, **ecomaine** now wishes to authorize: (1) borrowing up to $1,000,000 in the form of a term loan, including the issuance of one or more notes in connection therewith (the "Term Loan"), and (2) entering into a revolving line of credit in the maximum draw amount of $3,000,000 at any one time, including the issuance of one or more notes in connection therewith (the "Revolving Line of Credit" and collectively with the Term Loan, the "Debt"); and

WHEREAS, the ecomaine Board of Directors (the "Board") is the body established and authorized under the Interlocal Agreement to exercise the powers exercisable by **ecomaine** on behalf of the Member Municipalities.

NOW THEREFORE, BE IT HEREBY RESOLVED BY THE ECOMAINE BOARD OF DIRECTORS AS FOLLOWS:

Section 1. Determination. The Board hereby determines that: (a) entering into the Term Loan and using the proceeds thereof to: (i) comply with the Rate Covenant set forth in the Trust Indenture for the ecomaine bonds, and/or (ii) pay ecomaine bond debt service due on July 1, 2010; and (b) entering into the Revolving Line of Credit and using the proceeds thereto to: (i) pay ecomaine bond debt service due on or after July 1, 2010, (ii) pay additional capital costs of

the System, (iii) pay working capital expenditures and/or (iv) satisfy the Rate Covenant set forth in the Trust Indenture for the ecomaine bonds, will improve the System, promote the regional solid waste management program for which **ecomaine** was created, serve a public purpose and provide a public benefit. The Board further determines that there will at all times be revenues and funds sufficient to pay the principal of and interest on the Debt as the same shall become due and payable, and, in the discretion of the Board, to create and maintain reserves for such purposes, as well as to pay the costs of maintaining and repairing the projects financed or refinanced by the Debt.

Section 2. Debt Authorized. The Term Loan in the maximum amount of $1,000,000 and the Revolving Line of Credit in the maximum draw amount of $3,000,000 at any one time are hereby authorized for the purposes set forth in Section 1 above and, at **ecomaine**'s discretion, for the additional purpose of paying the costs of issuing such Debt and related financing costs. The Revolving Line of Credit will only be used to finance expenditures for working capital or acquisition of equipment or to comply with the Rate Covenant set forth in the Trust Indenture for the ecomaine bonds or pay debt service on the ecomaine bonds following a determination by the ecomaine Executive Committee of unforeseen circumstances or of the expectation that budget results will not be realized. The Debt shall be issued in the forms, and have the terms, details and provisions, deemed necessary and/or convenient, upon advice of counsel, by the Chairman of **ecomaine,** or in the event of his/her absence, illness or other inability to act, the Vice-Chairman, Secretary or Treasurer of **ecomaine**, and each of such officers is hereby authorized to execute and deliver all agreements, certificates and other documents and instruments necessary and/or convenient in connection therewith, with such changes, omissions, insertions and revisions as shall be determined advisable by the authorized person executing the same, upon advice of counsel, and the execution thereof by such authorized officer shall be conclusive as to such determination.

Section 3. Execution and Delivery of the Notes. The Chairman of **ecomaine**, or in the event of his/her absence, illness or other inability to act, the Vice-Chairman, Secretary or Treasurer of **ecomaine**, is hereby authorized to execute the notes which evidence any Debt, such execution to be by the manual signature of such executing officer. If the official seal of **ecomaine** is required to be imprinted on the notes or on any other document in connection with the Debt, the Secretary of **ecomaine**, or in the event of his/her absence, illness or other inability to act, the Chairman, Vice-Chairman or Treasurer of ecomaine, is hereby authorized to attest such official seal.

Section 4. Other Actions. In addition to the exercise of the powers authorized hereinabove, the Chairman, Vice-Chairman, Secretary, Treasurer, General Manager and/or Director of Finance and Administration of **ecomaine** is each hereby authorized to take any action and to execute and deliver any document necessary or convenient in order to consummate the transactions contemplated hereby. In addition, any two of the Chairman, Vice-Chairman, Secretary or Treasurer of **ecomaine** is hereby authorized to determine the date or dates of maturity and interest rate or rates on the Debt and/or the notes evidencing the same, in accordance with and to the extent required by Title 10, Section 1064(2) of the Maine Revised Statutes Annotated.

Section 5. Tax-Exempt or Taxable Form. To the extent that the purposes for which **ecomaine** wishes to issue any portion of the Debt make the interest on that portion potentially eligible for exclusion from the gross income of the recipient thereof in connection with federal income taxation under the Code, such portion may be issued in tax-exempt form as long as such portion shall, in addition to meeting all other requirements for such status under the Code, meet any registration requirements imposed under Code Section 149(a), with The Huntington National Bank, a national banking association, the trustee for the ecomaine bonds, to serve as registration agent therefor. To the extent that any portion of the Debt is not eligible to be issued in tax-exempt form, **ecomaine** hereby directs, covenants and consents, in accordance with Title 10, Section 1074 of the Maine Revised Statutes Annotated, that the interest thereon shall be includable in the gross income of the recipient thereof for federal income tax purposes under the Code, to the same extent and in the same manner that interest on bills, bonds, notes and other obligations of the United States are includable in such gross income.

Section 6. This resolution shall take effect immediately upon its passage.

Dated: January 21, 2010

ecomaine
Proposed Borrowing
For Years Ended June 30, 2010 - 2014

A. $1 Million Term Loan

Proposed Terms

Amount borrowed $1,000,000
Interest rate: 2 - 3.5 %
Repayment: Interest only until 7/1/2011
Principal repayment over next 3 years
Principal repayment may be sooner depending upon available cash

Interest and Principal Payments

		----------Initial----------		----------Optional - Depending Upon Available Cash----------				
	Terms	Budget 6/30/2010	Projected 7/1/ - 12/31/2010	Projected 1/1 - 6/30/2011	Projected 6/30/2012	Projected 6/30/2013	Projected 6/30/2014	Total
Initial loan	**$1,000,000**							1,000,000
Principal payments					(333,334)	(333,333)	(333,333)	(1,000,000)
Interest expense	3.00%	12,500	15,000	15,000	25,833	15,833	5,834	90,000

Note: ecomaine is currently reviewing loan proposals from financial institutions. Final details including interest rates and repayment terms will be negotiated with lenders upon approval of financing from ecomaine's Board of Directors.

B. $3 Million Line of Credit

Currently, ecomaine does not have access to any short term financing for emergencies or unplanned events and would be reliant upon its member communities in those circumstances. It would be prudent for ecomaine to establish a line of credit to be available to meet any unplanned circumstances. Authorization to draw on these funds and a process for reviewing any expenditures will be determined by the Executive Committee. The line would be at a variable rate of interest and may be required to be repaid or re-financed within one year of any draw down.

ecomaine

Attachment B-3

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
Old Orchard Beach
Poland
Readfield
Sanford
Wayne

DATE: December 22, 2009

TO: Members of **ecomaine** Board of Directors

FROM: Kevin H. Roche, General Manager

SUBJECT: Notice of Meeting of Board of Directors to Authorize Borrowing of up to $1,000,000 in the form of a term loan and up to $3,000,000 in the form of a revolving line of credit

Notice is hereby given that there will be a meeting of the Board of Directors of **ecomaine** at 64 Blueberry Road, Portland, Maine at 4:00 p.m. on January 21, 2010 for the purpose of determining (1) whether to authorize **ecomaine** to borrow up to $1,000,000 and issue notes in the form of a term loan and (2) whether to authorize **ecomaine** to borrow up to $3,000,000 and issue notes in the form of a revolving line of credit.

ecomaine has been on an aggressive debt repayment schedule for our bonds over the past few years. We paid $10.3 million in bond debt during the year ended June 30, 2009, leaving a total debt balance of $29.8 million. For the current year, we will pay down an additional $10.5 million in debt, leaving a balance of $19.3 million which is scheduled to be paid down in four years. The table below summarizes just how aggressive the repayment schedule is. To keep **ecomaine** running efficiently, we feel that it's necessary to secure a term loan and have access to a line of credit to bridge us to those years that provide debt relief.

Year	Principal Payments
FY 09	$10,260,000
FY 10	$10,450,000
FY 11	$6,630,000
FY 12	$3,975,000
FY 13	$285,000
FY 14	$300,000

The term loan borrowed funds ($1,000,000) are necessary to ensure that **ecomaine** will be at all times in compliance with the Rate Covenant of Section 6.06 of the Trust Indenture or to pay debt service. The Rate Covenant requires that **ecomaine** have sufficient unrestricted cash plus revenue to cover operating expenses plus 125% of debt service on the

Anthony T. Plante, Chairman • Kevin H. Roche, General Manager
64 Blueberry Road, Portland, Maine 04102 • Tel: 207-773-1738 • Fax: 207-773-8296 • www.ecomaine.org
Printed on 100% Post-Consumer Recycled Paper

Bonds for each year. We're projecting that the only time we may not meet this requirement is in July, 2010 due to a $10,450,000 debt payment on July 1st. We estimate that we will be $719,000 short if we come in at budget. Our current financial statements are strong through five months, and, if this positive trend continues, our numbers may be more favorable than budget. However, it's too soon to accurately project just how the next two quarters will perform.

The revolving line of credit ($3,000,000) is necessary to prevent an unexpected rate increase for our owner communities during uncertain economic conditions. The line of credit could only be used to finance expenditures for working capital or acquisition of equipment or to comply with the Rate Covenant or pay debt service on the Bonds following a determination by the Executive Committee of unforeseen circumstances or of the expectation that Budget revenues would not be realized. Our Five Year Budget Plan appears to be stable, but it is difficult to know exactly where the economy is going because of its recent track record. Over the past five years, solid waste tonnage received from our owner communities dropped 20%. Although some of that drop is due to the strong recycling programs in our communities, we believe it has more to do with the downturn in the economy. We've adjusted to this new market by replacing those tons with solid waste from outside our service area to keep our facilities running at full capacity. Recycling markets also slipped more than $1,000,000 last year when the economy turned downward. Fortunately, those markets have rebounded favorably since then and we've been able to bring in new customers and sources of recyclable materials that have improved our bottom line.

The Finance Committee has been reviewing the financing plan over the last few months and in November, the Finance Committee recommended moving forward with it. The Executive Committee reviewed the plan at their December meeting and we are now seeking approval from the full board.

Approval requires a vote of three-fourths (3/4) of the Directors and the equivalent of three-fourths (3/4) of the total Voting Interests of the Directors. Therefore, it is very important that all Board Members attend. Alternate Directors, duly appointed by the Municipal Officers of a Member Municipality, may vote the interest of the Member Municipality on the Board in the absence of its appointed representative(s) to the Board.

Thank you for your continued support and guidance. Please contact me at roche@ecomaine.org or 773-1738 if you have any questions or concerns.

ecomaine

Budget Schedule
Year End June 2011

3/18	Board presentation
4/8	Finance Committee budget workshop
4/15	Full Board meeting