



Memorandum

DATE: January 11, 2011
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, January 18, 2011 at 4:00PM** at **ecomaine's** Waste-to-Energy facility. The agenda for this meeting is as follows:

1. Approval of the December 2, 2010 Finance Committee Meeting Minutes (*Attachment A*)
2. Review of Financial Statements
 - Statement of Revenues and Expenses (*Attachment B*)
 - Balance Sheet (*Attachment C*)
 - Cash Flows (*Attachment D*)
 - Status of Accounts Receivable (*Attachment E*)
3. Consideration of paying off the Single Sort Equipment Lease (*Attachment F*)
4. FY 2012 Budget Process (*Attachment G*)
5. Other Items
6. Future Meetings:
 - Full Board Meeting: January 20th (*Thursday*) @ 4:00PM.
 - Recycling Committee: January 26th (*Wednesday*) @ 4:00PM.
 - Executive Committee: February 17th (*Thursday*) @ 4:00PM.
 - Recycling Committee: February 23rd (*Wednesday*) @ 4:00PM.
 - Full Board (Budget Presentation): March 17th (*Thursday*) @ 4:00PM.
 - Recycling Committee: March 23rd (*Wednesday*) @ 4:00PM.
 - Budget Workshop & Finance Committee: March 24th (*Thursday*) @ 4:00PM.
 - Full Board Meeting (Budget Approval): April 21st (*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>).

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: December 7, 2010
 TO: Chair and Members of the Finance Committee
 FROM: Kevin H. Roche, General Manager
 SUBJECT: Minutes of December 2, 2010 **ecomaine** Finance Committee Meeting

There was an **ecomaine** Finance Committee Meeting on Thursday, December 2, 2010, at the Waste-to-Energy facility. With a quorum, the meeting was called to order at 4:00PM.

There were eight (8) items on the Agenda:

1. Approval of the October 21, 2010 Finance Committee Meeting Minutes
2. Review of 5-Year Plan
3. Review of October Financial Statements
4. Review of Cash Reserve Policy Approved by Board at October 21, 2010 Board Meeting
5. Status of Capital Improvement Projects
6. Status of Accounts Receivable
7. Other Items
8. Future Meetings

Item #1 – Approval of the October 21, 2010 Finance Committee Meeting Minutes

Mr. Van Gaasbeek moved that **the Finance Committee hereby approve the minutes of the October 21, 2010 Finance Committee meeting as presented. The motion was seconded by Ms. Boudreau and passed with a unanimous vote of the Committee.**

Item #2 – Review of Five-Year Plan

Mr. Roche noted that the Five-Year Plan utilizes the most conservative model that the **ecomaine** Board approved last spring.

Mr. Regier stated that he would like to see reductions in municipal assessments in the Year 2015 (or earlier) as opposed to 2016. Mr. Finch said he would like to see a program whereby towns receive dollars back if income exceeds projections. The only other way to give back to the communities is for tip fees or assessments to go down. Ms. McGinty questioned whether any overages should instead be placed into reserves.

After a discussion, the Committee felt that the Five-Year Plan is a fluid document that should be reviewed annually. They felt it didn't need to be formally approved by the Executive Committee or the Board. Rather, it would be a tool for the Finance Committee and management to use for financial analysis.

Mr. Cole made a motion that the Finance Committee endorse the 5-Year Plan reaffirming our commitment to provide financial relief to our member communities through either reductions in member assessments or some other appropriate means. The motion was seconded by Ms. Boudreau and passed with a unanimous vote of the Committee.

Item #3 – Review of October Financial Statements

Statement of Revenues and Expenses

Mr. Roche passed around a handout and noted that Revenues are up 15% through October, 2010 (electrical is doing well, in particular). However, the current contract for power sales expires at the end of January and the market is soft.

The Balance Sheet (*Attachment D*) and Cash Flows (*Attachment E*) were also reviewed, noting that “Cash, end of period” is at \$16.8 million, reflecting positive cash flow from operations, while meeting debt service.

Item #4 – Review of Cash Reserve Policy Approved by Board at October 21, 2010 Meeting.

This was covered in Item #2 above.

Item #5 – Status of Capital Improvement Projects

Handout #1 – FY 2011 Capital Projects Statement projects spending for FY 2011 at \$3.2 million, leaving the fund balance at \$458,000.

Many of the Capital Improvement Project items will occur during the April Overhaul (outage).

Item #6 – Status of Accounts Receivable

Handout #3 was passed around as a replacement for Attachment G and it was noted that the aging has improved slightly since October.

Item #7 – Other Items

There was a brief discussion of Casella's proposed Westbrook facility. The facility was put on hold a couple of years ago and remains that way.

Item #8 – Future Meetings

The next Finance Committee Meeting will be Tuesday, January 18, 2011 at 4:00PM.

The Recycling Committee Meetings (beginning January, 2011) will now be held on the fourth Wednesday of each month (still at 4:00PM), as opposed to the first Wednesday of the month.

Mr. Regier made a motion to adjourn the meeting. The motion was seconded by Mr. Cole and all were in favor. The meeting adjourned at 5:35PM.

PRESENT:

M. Bobinsky
L. Boudreau
D. Cole
J. Gailey
S. McGinty
R. Regier
L. Van Gaasbeek
M. Frank
T. Moon

ABSENT:

J. Miller
A. Plante
M. St. Clair
D. Woodsome

Other: George (Bud) Finch – Town Manager, Town of Harrison.

Staff: A. Birt, K. Roche, K. Trytek and L. Trufant.

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Statement of Revenues & Expenses - December 2010

\$000's

	December		December Year To Date	
	Actual	Budget	Actual	Budget
				Variance
Operating revenues				
Municipal assessments	390	\$ 390	\$ 2,339	\$ -
Owners tipping fees	363	346	2,078	227
Associate tipping fees	71	82	421	(72)
Commercial tipping fees	469	391	2,972	629
Spot market tipping fees	159	175	1,180	130
Electrical generating revenues	570	559	3,521	258
Sales of recycled goods	362	188	1,731	606
Recycling tipping fees	4	2	13	1
Gorham property assessments	9	9	55	-
Other operating income	15	20	135	123
Total operating revenues	2,412	2,162	14,672	12,881
				1,791
Operating expenses				
Administrative expenses	170	207	1,191	1,241
Waste-to-energy operating expenses	710	646	3,726	3,956
Recycling operating expenses	141	131	790	789
Landfill/ashfill operating expenses	69	129	691	776
Contingency	-	21	1	125
Landfill closure and postclosure care costs	-	-	-	-
Post-retirement benefit	-	-	-	-
Depreciation & amortization	325	333	1,950	2,000
Total operating expenses	1,415	1,467	8,349	8,887
				(538)
Net operating income	997	695	6,323	3,994
				2,329
Non-operating income (expense)				
Interest income	3	4	14	25
Interest expense	(40)	(63)	(234)	(376)
Net non-operating	(37)	(59)	(220)	(351)
				131
Total revenue less expenses	\$ 960	\$ 636	\$ 6,103	\$ 3,643
				2,460

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December Balance Sheet

\$000's	June 30 2010	Dec 31 2010
Assets		
Current assets:		
Cash, operating	\$ 5,812	\$ 9,813
Cash, capital reserve fund	2,548	2,553
Cash, held by trustee for bond payments	11,325	3,611
Accounts receivable - customers	1,649	1,730
Accounts receivable - other	611	645
Inventory	1,848	1,848
Prepaid expenses	289	150
Total current assets	24,082	20,350
Property, plant and equipment:		
Property, plant and equipment	120,593	120,946
Less: accumulated depreciation	86,323	88,273
Net property, plant and equipment	34,270	32,673
Restricted cash and cash equivalents:		
Restricted cash, debt reserve fund	3,292	3,292
Other assets:		
Gorham materials recovery facility	2,230	2,230
Total assets	63,874	58,545
Liabilities		
Current liabilities:		
Accounts payable	287	62
Accrued expenses	863	890
Accrued compensated absences	569	569
Current portion of long-term debt	10,450	6,630
Current portion of capital leases	181	181
Bank term loan	750	
Total current liabilities	13,100	8,332
Other liabilities:		
Long-term debt, bonds	11,190	4,560
Capital leases	1,400	1,366
Unamortized premium on bonds	1	1
Accrued landfill closure and postclosure costs	15,139	15,139
Accrued post-retirement benefit	193	193
Total liabilities	41,023	29,591
Net Assets (Equity)		
Invested in capital assets, net of related debt	10,301	10,301
Restricted reserves:		
Restricted - debt service reserve	3,291	3,291
Designated reserves:		
Capital reserve	1,673	1,673
Other unrestricted reserves:		
Fund balance	(5,173)	4,206
Due to / from other funds	3,381	3,381
Revenue less expenses, current year	9,379	6,103
Subtotal unrestricted reserves	7,587	13,690
Total designated and unrestricted	9,260	15,363
Total net assets	\$ 22,852	\$ 28,955

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December Statement of Cash Balances

\$000's

	Actual 12 Months Ending 6/30/10	Budget 12 Months Ending 6/30/11	December Actual YTD
Cash flows from operating activities:			
Net operating income	\$ 10,205	\$ 6,273	\$ 6,323
Add back: depreciation	3,887	4,000	1,950
Add back: landfill closure costs	304	-	-
Add back: Post Retirement Benefit	101	-	-
Other working capital changes	(150)	(1)	(172)
Net cash provided by operating activities	<u>14,348</u>	<u>10,273</u>	<u>8,101</u>
Cash flows from capital and related financing activities:			
Bank loan	750	-	(750)
Payment of interest	(892)	(751)	(234)
Repayment of long-term debt	(8,244)	(10,450)	(10,450)
Repayment of capital leases	(176)	(180)	(34)
Net cash used in capital and related financing	<u>(8,562)</u>	<u>(11,381)</u>	<u>(11,468)</u>
Cash flows from investing activities:			
Receipts of interest	66	50	14
Capital expenditures	(1,300)	(2,242)	(353)
Net cash used in investing activities	<u>(1,234)</u>	<u>(2,192)</u>	<u>(339)</u>
Net increase (decrease) in cash	4,551	(3,300)	(3,706)
Cash, beginning of period	18,424	19,524	22,975
Cash, end of period	<u>\$ 22,975</u>	<u>\$ 16,224</u>	<u>\$ 19,269</u>
Detail			
Operating Cash Reserve	-	-	-
Long Term Capital Reserve	1,673	523	1,673
Landfill Closure reserve	-	-	-
Bond Payment Reserves	11,324	7,353	3,611
Debt Service Reserves	3,292	3,292	3,292
Other Cash	6,686	5,056	10,693
Total	<u>\$ 22,974</u>	<u>\$ 16,224</u>	<u>\$ 19,269</u>

ecomaine											
Date	Item	No Customers	Current	Age of Receivables					Total		
				31-60 Days	61-90 Days	91 & Over Days	91 & Over Days	Total			
07/31/10	Balances	171	\$ 1,423,235	\$ 58,380	\$ 4,894	\$ 1,486	\$ 1,487,995	95.6%	0.3%	0.1%	100.0%
	%			3.9%							
08/31/10	Balances		\$ 1,441,934	\$ 146,931	\$ 6,022	\$ 3,827	\$ 1,598,714	90.2%	0.4%	0.2%	100.0%
	%			9.2%							
09/30/10	Balances		\$ 1,215,636	\$ 199,231	\$ 4,405	\$ 5,232	\$ 1,424,505	85.3%	0.3%	0.4%	100.0%
	%			14.0%							
10/31/10	Balances		\$ 1,334,779	\$ 211,628	\$ 9,941	\$ 4,757	\$ 1,561,105	85.5%	0.6%	0.3%	100.0%
	%			13.6%							
11/30/10	Balances		\$ 1,368,891	\$ 149,882	\$ 9,728	\$ 12,973	\$ 1,541,474	88.8%	0.6%	0.8%	100.0%
	%			9.7%							
12/31/12	Balances		\$ 1,472,383	\$ 244,102	\$ 13,807	\$ 2,760	\$ 1,733,052	85.0%	0.8%	0.2%	100.0%
	%			14.1%							

Note: above amounts include A/R - Customers and thus exclude electrical sales, Gorhan Assessments, Monthly Assessments, & Allowances

Consideration of paying off the Single Sort Equipment Lease

- An agreement was signed with TD Bank on Feb. 27, 2007 leasing the Single Stream Recycling System.
- Lease payments are approximately \$209,000 annually due March 1 of each year through 2019 under that agreement.
- The interest rate used in developing the lease payments was approximately 6.6%
- Current Interest Rates approximate .4% on the CD's held by ecomaine while other cash deposits earn even less.
- There is an "Early Termination Option" in the agreement under which ecomaine must give at least 30 days written notice to TD Bank prior to a Rent Payment Date if it intends to terminate the lease.
- Ecomaine must pay all sums due on the Rent Payment Date plus the present value of all future lease payments plus the sum of \$1.
- On March 1, 2011 (next Rent Payment Date) ecomaine will pay approximately \$209,000 under the terms of the agreement and will be current at that time.
- Termination of the lease and taking title to the equipment on March 1, 2011 would require an additional payment at that time equal to approximately \$1,270,146 (being the present value of the lease payments plus \$1).
- If we make this decision the total interest payments saved over the next 8 years would approximate \$402,000 while we would give up about \$25,000 in lost investment income over the same period.
- A review of the debt covenants utilizing the 5 Year Cash Projections reviewed in the October Finance Committee meeting as a base while incorporating the termination of the lease indicate no problems.

Jan 14, 2011

0.40%

Interest 6.5534%
Annual
Periods 12

Year	Payment	Interest	Principal	Balance	Month	Year	Invested Balance	Interest Lost
2010				1,388,212	March 1	2010		
2011	\$ 209,042	\$ 90,975	\$ 118,067	\$ 1,270,145	March 1	2011	\$ 1,270,145	\$ 5,081
2012	\$ 209,042	\$ 83,238	\$ 125,804	\$ 1,144,341	March 1	2012	\$ 1,144,341	\$ 4,577
2013	\$ 209,042	\$ 74,993	\$ 134,049	\$ 1,010,292	March 1	2013	\$ 1,010,292	\$ 4,041
2014	\$ 209,042	\$ 66,208	\$ 142,834	\$ 867,458	March 1	2014	\$ 867,458	\$ 3,470
2015	\$ 209,042	\$ 56,848	\$ 152,194	\$ 715,264	March 1	2015	\$ 715,264	\$ 2,861
2016	\$ 209,042	\$ 46,874	\$ 162,168	\$ 553,096	March 1	2016	\$ 553,096	\$ 2,212
2017	\$ 209,042	\$ 36,247	\$ 172,796	\$ 380,300	March 1	2017	\$ 380,300	\$ 1,521
2018	\$ 209,042	\$ 24,923	\$ 184,120	\$ 196,180	March 1	2018	\$ 196,180	\$ 785
2019	\$ 209,037	\$ 12,856	\$ 196,180	(0)	March 1	2019		

Payment due 3/1/2010	\$ 209,042
PV of Remaining Payments	\$ 1,270,145
Buy Out Cost	\$ 1
Total	\$ 1,479,188

Total Interest 3/2/11 to 3/2/2019 \$ 402,187

Contract says 30 days written notice prior to payment date. Payment dates are 3/1/ each year.
Need to give written notice to TD Bank on or before 1/28.

Choice is pay interest at 6.5% as above or give up earning interest at .4% (best rate we have now) or less.

FISCAL YEAR 2011 BUDGET PROCESS

- **The FY 2012 budget process was kicked off with the call for budgets on December 30, 2010 and includes the following major milestones:**
 - **March 17th - Budget Presentation to the Board**
 - **March 24th - Budget Workshop & Finance Committee Meeting**
 - **April 21st - Board Approval**