



## 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 17<sup>th</sup> @ 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
<b>Operating Revenues</b>											
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	
<b>Total operating revenues</b>	<b>26,036,909</b>	<b>26,476,009</b>	<b>24,515,679</b>	<b>26,681,075</b>	<b>24,893,852</b>	<b>24,309,154</b>	<b>24,633,679</b>	<b>24,973,040</b>	<b>25,217,936</b>	<b>23,249,776</b>	
<b>Operating expenses</b>											
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	
<b>Total operating expenses</b>	<b>19,200,976</b>	<b>18,264,127</b>	<b>19,801,633</b>	<b>19,400,196</b>	<b>18,620,697</b>	<b>19,059,318</b>	<b>19,511,097</b>	<b>19,976,430</b>	<b>20,455,723</b>	<b>20,949,395</b>	
<b>Net operating income</b>	<b>6,835,933</b>	<b>8,211,882</b>	<b>4,714,046</b>	<b>7,280,879</b>	<b>6,273,155</b>	<b>5,249,836</b>	<b>5,122,582</b>	<b>4,996,609</b>	<b>4,762,213</b>	<b>2,300,381</b>	
<b>Non-operating income (expense)</b>											
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)	-	-	-	-	-	-	-	-	
<b>Net non-operating</b>	<b>(1,335,814)</b>	<b>(1,336,872)</b>	<b>(1,352,400)</b>	<b>(1,066,396)</b>	<b>(701,096)</b>	<b>(371,081)</b>	<b>(23,561)</b>	<b>65,038</b>	<b>(322,611)</b>	<b>(264,173)</b>	
<b>Total revenue less expense</b>	<b>\$ 5,500,119</b>	<b>\$ 6,875,010</b>	<b>\$ 3,361,646</b>	<b>\$ 6,214,483</b>	<b>\$ 5,572,059</b>	<b>\$ 4,878,755</b>	<b>\$ 5,099,021</b>	<b>\$ 5,061,647</b>	<b>\$ 4,439,602</b>	<b>\$ 2,036,208</b>	

**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

**ecomaine**  
**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)	-	-	-	-	-	-	-	-
<b>Net cash provided by operating activities</b>	<b>11,250,137</b>	<b>10,114,046</b>	<b>12,680,879</b>	<b>10,273,155</b>	<b>9,249,836</b>	<b>9,122,582</b>	<b>8,996,609</b>	<b>8,762,213</b>	<b>6,300,381</b>
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)
<b>Net cash used in capital and related financing</b>	<b>(12,047,279)</b>	<b>(9,859,900)</b>	<b>(9,442,692)</b>	<b>(11,381,096)</b>	<b>(7,230,900)</b>	<b>(4,195,000)</b>	<b>10,571,000</b>	<b>(1,960,000)</b>	<b>(1,616,000)</b>
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)	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(2,500,329)</b>	<b>(1,553,500)</b>	<b>(1,392,877)</b>	<b>(2,941,800)</b>	<b>(2,540,181)</b>	<b>(5,758,561)</b>	<b>(13,696,962)</b>	<b>(2,872,611)</b>	<b>(3,535,173)</b>
<b>Net increase (decrease) in cash</b>	<b>(3,297,471)</b>	<b>(1,299,354)</b>	<b>1,845,310</b>	<b>(4,049,741)</b>	<b>(521,245)</b>	<b>(830,979)</b>	<b>5,870,647</b>	<b>3,929,602</b>	<b>1,149,208</b>
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
<b>Restricted Cash for Reserves:</b>									
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)
<b>Cash, end of period</b>	<b>\$ 18,428,930</b>	<b>\$ 17,129,576</b>	<b>\$ 20,274,240</b>	<b>\$ 16,224,499</b>	<b>\$ 15,703,254</b>	<b>\$ 14,872,275</b>	<b>\$ 15,031,422</b>	<b>\$ 12,249,524</b>	<b>\$ 6,687,232</b>