



Memorandum

DATE: January 10, 2019
TO: Chairman and Members of the Board
FROM: Kevin H. Roche, CEO/General Manager
SUBJECT: Agenda for the Finance & Audit Committee Meeting

There is an **ecomaine** Finance & Audit Committee Meeting scheduled for **January 17, 2019 @ 3PM**. The agenda for this meeting is as follows:

1. Approval of Minutes (*Attachment A*)
2. Cash Disbursement Report – Erik Street, Chairman
3. Update - Management Response to Auditors recommendations from FY 18
4. Financial Statements **FY 19**
 - o Statement of Revenues and Expenses (*Attachment B1*)
 - o Statistical Data (*Attachment B2*)
 - o Balance Sheet (*Attachment B3*)
 - o Statement of Cash Balances (*Attachment B4*)
 - o Capital Expenditures (*Attachment B5*)
 - o Status of Accounts Receivable (*Attachment B6*)
5. Review Investment Portfolio (*Handout*)
6. Review Cash Reserve & Investment Policy (*Attachment C*)
7. Other:

Future Meetings:

Full Board of Directors	01-17-2019 @ 4pm	Finance & Audit Committee	04-04-2019 @ 4pm
Outreach & Recycling Committee	01-24-2019 @ 4pm	Full Board of Directors	04-18-2019 @ 4pm
Outreach & Recycling Committee	02-14-2019 @ 3pm	Finance & Audit Committee	05-16-2019 @ 3pm
Executive Committee	02-14-2019 @ 4pm	Executive Committee	05-16-2019 @ 4pm
Outreach & Recycling Committee	03-07-2019 @ 4pm	Outreach & Recycling Committee	05-23-2019 @ 4pm
Full Board of Directors	03-21-2019 @ 4pm	Annual Board of Directors Meeting	06-20-2019 @ 11:30am

DATE: November 26, 2018
TO: Chairman and Members of the Board
FROM: Kevin H. Roche, CEO/General Manager
SUBJECT: Finance & Audit Committee Minutes – November 15, 2018

There was a **Finance & Audit Committee Meeting** held on the date noted above. The meeting was called to order by Erik Street, Chair.

Item #1: Approval of the Minutes

William Shane motioned to accept the minutes as written. The motion was seconded by Matthew Frank. All in favor.

Item #2: Cash Disbursements – Erik Street, Chair

Erik Street reported out that he had reviewed cash disbursements with staff and found no issues/concerns.

Item # 3: RKO Presentation – FY 18 Audit, Amy Chasse & Roger Lebreux

Amy Chasse presented the FY 18 Audit followed by Questions and Answers. William Shane motioned to accept the Audit as presented and recommended that the Full Board do the same. The motion was second by Dave Morton. All in favor.

Item # 4: Selection of Auditors for FY 19

The Committee discussed options for vendor selection of the FY 19 Audit. RKO offered to keep the audit the same price. Matt Sturgis motioned to accept RKO's proposal for one more year (FY 19 Audit), but then suggested that next year we bid out the function. Motion was second by William Shane. All in favor

Item # 5: Financial Statements FY 19

Erik Street noted that the CEO will review the financial statements at the following board meeting.

Item # 6: **Other:**

Erik Street suggested that we add an agenda item regarding cash needs. The CEO and Finance Director presented a summary of cash needs and how they relate to our investments. Funds are needed to pay for capital projects and we need to move the more liquid funds around in our reserves in order to free up cash as investment funds expire. Dave Morton made the motion to recommend that we free up the needed funds in our reserve account in order to pay for our capital improvements. Funding would come from our operating reserve account as well as our short and long term investments accounts in order to maintain ecomaine's interest in the investment funds that are not readily available. Dave Morton would also like the Finance Committee to look at investment policy options going forward. This would be discussed in the following 4pm Board meeting along with our advisors from HM Payson. The motion was second by William Shane. All in favor.

Mike Shaw motioned to adjourn. The motion was seconded by Matthew Sturgis. All in favor.

Present:

Dennis Abbott, Anne Bilodeau, Matthew Frank, Troy Moon, Dave Morton, Rod Regier, Bill Shane, Mike Shaw, Erik Street & Matthew Sturgis

Staff:

Don Hebert & Kevin Roche

ecomaine							
Statement of Revenue & Expenses December, 2018 (FY19)							
ATTACHMENT B1	Actual - Prior Years YTD			Current Year To Date			FY19 to FY18
	2016	2017	2018	Actual	Budget	Variance	Variance
Operating revenues							
Municipal assessments & rebates	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Owners tipping fees	1,866,067	1,821,979	1,895,797	1,953,267	1,895,836	57,431	57,470
Assoc. tipping fees	515,415	509,139	544,559	558,044	544,536	13,508	13,486
Contract tipping fees	161,398	184,361	190,574	598,033	787,161	(189,128)	407,458
Commercial tipping fees	2,695,103	2,818,372	2,776,798	3,153,900	2,776,794	377,105	377,102
Spot market tipping fees	952,612	875,350	800,157	185,006	192,888	(7,882)	(615,151)
Electrical generating revenues	2,045,180	1,813,485	1,892,551	1,992,223	1,976,197	16,026	99,672
Sales of recycled goods	1,229,206	1,801,642	1,535,777	780,358	1,104,920	(324,563)	(755,420)
Recycling tipping fees	81,828	19,482	68,131	194,955	68,130	126,825	126,825
Other operating income	52,101	50,473	51,475	52,586	52,248	338	1,111
Total operating revenues	\$9,598,909	\$9,894,283	\$9,755,819	\$9,468,372	\$9,398,712	\$69,661	(\$287,447)
Operating expenses							
Administrative expenses	1,318,006	1,259,223	1,327,806	1,366,415	1,432,371	65,955	(38,610)
Waste-to-energy operating expenses	4,406,010	4,387,518	4,584,510	4,549,897	4,996,997	447,100	34,614
Recycling operating expenses	1,029,992	1,019,374	1,178,877	1,248,784	1,243,775	(5,009)	(69,907)
Landfill/ashfill operating expenses	783,330	710,810	830,065	929,690	798,962	(130,728)	(99,625)
Contingency	0	0	0	0	125,000	125,000	0
Landfill closure & post-closure care costs	129,968	147,741	132,707	127,442	137,500	10,058	5,265
Post-retirement benefit - health Care	35,229	35,229	35,229	42,498	42,500	2	(7,269)
Depreciation & amortization	2,045,867	2,085,069	2,109,621	2,001,699	2,051,712	50,013	107,922
Total operating expenses	\$9,748,402	\$9,644,964	\$10,198,814	\$10,266,425	\$10,828,817	\$562,391	(\$67,611)
Net operating income	(\$149,492)	\$249,318	(\$442,996)	(\$798,053)	(\$1,430,105)	\$632,052	(\$355,057)
Non-operating income (expense)							
Non Investment Interest	20,936	21,994	22,589	24,259	22,500	1,759	1,670
Investment Income Net of Expenses	(251,326)	377,149	823,828	(125,552)	0	(125,552)	(949,380)
Misc. Income / (Expenses)	5,025	16,756	3,367	18,061	0	18,061	14,694
Net non-operating	(\$225,365)	\$415,899	\$849,784	(\$83,232)	\$22,500	(\$105,732)	(\$933,016)
Total Revenue Less Expenses	(\$374,857)	\$665,217	\$406,788	(\$881,285)	(\$1,407,605)	\$526,320	(\$1,288,074)

ecomaine									
Statistical Data December, 2018 (FY19)									
ATTACHMENT B2	Actual - YTD			Year to Date 2019				Year to Date Vs. Last Year	
	2016	2017	2018	Actual	Budget	Var - Fav / (Unfav)		Var-Fav / (Unfav)	
						Units	%	Units	%
MSW - Tons									
Owner	26,696	25,970	27,208	27,984	27,175	809	3.0%	776	2.9%
Associate	6,266	6,109	6,441	6,407	6,461	(54)	-0.8%	(34)	-0.5%
Contract	2,822	3,199	3,250	9,855	11,901	(2,046)	-17.2%	6,605	203.3%
Commercial	39,962	40,325	40,477	45,081	40,492	4,589	11.3%	4,604	11.4%
Spot	17,668	15,273	14,232	2,624	2,736	(112)	-4.1%	(11,608)	-81.6%
Total MSW	93,412	90,876	91,607	91,950	88,765	3,186	3.6%	344	0.4%
Recycle - Tons									
Inbound - MRF only	21,676	20,248	20,532	18,447	20,538	(2,091)	-10.2%	(2,085)	-10.2%
Outbound- MRF only including glass	18,893	18,255	18,188	16,528	18,188	(1,660)	-9.1%	(1,660)	-9.1%
Outbound- Post Burn	2,240	2,143	2,014	1,855	2,014	(159)	-7.9%	(160)	-7.9%
Outbound- Landfill Metal Mining	(24)	-	-	-	-	0		0	
Outbound Total	21,109	20,398	20,202	18,382	20,202	(1,820)	-9.0%	(1,820)	-9.0%
MSW - Revenue \$/Ton									
Owner	\$69.90	\$70.16	\$69.68	\$69.80	\$69.76	\$0.04	0.1%	\$0.12	0.2%
Associate	82.26	83.35	84.55	87.10	84.28	2.82	3.3%	2.55	3.0%
Contract	57.20	57.63	58.64	60.68	66.14	(5.46)	-8.3%	2.04	3.5%
Commercial	67.44	69.89	68.60	69.96	68.58	1.38	2.0%	1.36	2.0%
Spot	53.92	57.31	56.22	70.50	70.50	0.00	0.0%	14.28	25.4%
Total MSW	66.27	68.33	67.77	70.13	69.82	0.31	0.4%	2.36	3.5%
Recycle - Revenue \$/Ton									
\$/Ton Outbound (Includes glass/metals)	\$62.11	\$89.28	\$79.39	\$53.06	\$60.43	(\$7.37)	-12.2%	(\$26.34)	-33.2%
\$/Ton Inbound- Rev/Cost Sharing	56.28	87.13	69.98	33.01	50.94	(17.93)	-35.2%	(36.97)	-52.8%
Energy									
MWH's Sold	47,706	45,834	42,729	42,357	44,230	(1,873)	-4.2%	(372)	-0.9%
\$/MWH	\$42.87	\$39.57	\$44.29	\$47.03	\$44.68	\$2.35	5.3%	\$2.74	6.2%
Steam Plant Capacity Factor %	93.3%	92.6%	92.5%	93.2%					
Average Boiler Availability %	94.8%	94.1%	92.0%	92.4%	92.6%				
Steam Plant Capacity Utilization %	98.0%	98.5%	100.5%	100.9%					
Power Capacity Factor %	88.0%	85.0%	78.9%	79.1%					
Power Sold - % of Capacity to Sell	89.3%	85.8%	80.0%	79.3%	82.8%				

Steam Plant Capacity Factor % - Steam from the two boilers as a % of the total unadjusted capacity (144,000 lbs./hour for time in period with no down time)

Average Boiler Availability % - Percent of hours that boilers are available to burn MSW during period - reflects time out of service for boilers due to equipment problems

Steam Plant Capacity Utilization % - Steam from the two boilers as a % of the adjusted capacity (144,000 lbs./hour for time in period less time not on MSW)

Power Capacity Factor % - Actual power produced (MWH's) by the turbine as a % of the rated capacity (14.1 MW's) for all hours in the period

Power Sold - % of Capacity to Sell - Power sold (MWH's) on grid as a % of the power available to sell (generation net of internal load -- 12.1 MW's) for the given time period

ecomaine Balance Sheet				
December, 2018 (FY19)				
ATTACHMENT B3	Year End Actuals @ 6/30			FY 2019
	2016	2017	2018	December

Assets

Current Assets				
Balance Operating Cash	\$5,914,305	\$6,223,377	\$3,641,942	\$3,785,885
Accounts Receivable	1,885,906	2,135,332	1,702,101	1,701,724
Inventory	2,641,991	2,808,335	2,801,314	2,780,244
Prepaid Expenses	405,802	197,485	241,659	197,442
Total Current Assets	<u>\$10,848,004</u>	<u>\$11,364,529</u>	<u>\$8,387,016</u>	<u>\$8,465,295</u>
Property, Plant & Equipment	138,831,131	141,863,509	145,827,536	63,572,537
Less: Accumulated Depreciation	109,792,071	113,825,748	118,008,753	33,146,176
Net Property, Plant and Equipment	<u>\$29,039,060</u>	<u>\$28,037,761</u>	<u>\$27,818,784</u>	<u>\$30,426,361</u>
Cash Reserve Accounts	22,623,738	24,637,943	26,693,634	23,568,081
Gorham Property	-	-	-	-
Total Assets	<u>\$62,510,802</u>	<u>\$64,040,233</u>	<u>\$62,899,434</u>	<u>\$62,459,737</u>

Liabilities

Current Liabilities				
Accounts Payable	83,895	526,605	264,400	27,839
Accrued Expenses	751,829	800,081	839,193	1,319,931
Accrued Compensated Absences	901,118	993,122	1,016,748	1,044,219
Total Current Liabilities	<u>\$1,736,842</u>	<u>\$2,319,808</u>	<u>\$2,120,341</u>	<u>\$2,391,989</u>
Other Liabilities				
Bonds - Long-Term Portion				
Accrued Landfill Close & Post Close costs	16,746,994	14,564,514	14,819,398	14,946,840
Accrued Post Retirement Benefit - Health Care	510,352	570,596	780,235	822,733
Total Liabilities	<u>\$18,994,189</u>	<u>\$17,454,918</u>	<u>\$17,726,461</u>	<u>\$18,168,049</u>

Deferred Inflow of Resources

Deferred Inflows of Resources related to OPEB				\$6,487
Total Deferred Inflow of Resources	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,487</u>

Fund Balance (Retained Earnings)	44,640,758	43,516,613	46,424,763	45,172,973
Revenues Less Expenses (Current Year)	(1,124,146)	3,068,702	(1,251,790)	(881,285)
Total Fund Balance (Retained Earnings)	<u>43,516,613</u>	<u>46,585,314</u>	<u>45,172,973</u>	<u>44,291,688</u>
Total Net Assets (Equity)	<u>\$43,516,613</u>	<u>\$46,585,314</u>	<u>\$45,172,973</u>	<u>\$44,291,688</u>

ecomaine

Statement of Cash Balances December, 2018 (FY19)

ATTACHMENT B4	12 Month Actuals @ 6/30				Bud FY 2019 @ 6/30/19	Act FY 19 @ 12/31/18	Reserves per policy	Reserve Target
	2015	2016	2017	2018				
Cash & Reserves - beginning of period	\$29,317,000	\$26,510,251	\$28,538,043	\$30,861,320	\$28,072,405	\$30,335,576		
Cash flows from operating activities:								
Net operating income	(\$1,238,109)	(\$1,232,895)	\$1,802,380	(\$2,623,561)	(\$2,835,205)	(\$798,053)		
Add back: depreciation	3,804,881	4,201,984	4,177,307	4,316,892	4,103,425	2,001,699		
Add back: landfill closure costs	259,936	295,483	(2,182,480)	224,814	275,000	127,442		
Add back: Post Retirement Benefit	49,730	70,458	60,244	70,458	85,000	36,011		
Other working capital changes	(41,673)	(859,134)	388,720	194,650		361,861		
Net cash provided by operating activities	\$2,834,765	\$2,475,896	\$4,246,170	\$2,183,253	\$1,628,220	\$1,728,960		
Cash flows from capital and related financing activities:								
Payment of interest	\$427	\$1,983	\$0	\$0	\$0	\$0		
Repayment of long-term debt	-	-	-	-	0	0		
Repayment of capital leases	-	-	-	-	0	0		
Net cash used in capital and related financing	\$427	\$1,983	\$0	\$0	\$0	\$0		
Cash flows from investing activities:								
Receipts of interest	\$48,352	\$35,662	\$36,584	\$49,340	\$45,000	\$24,259		
Investment income	71,167	141,924	1,164,205	1,205,691	0	(125,552)		
Capital expenditures	(5,761,460)	(2,147,288)	(3,123,683)	(3,964,027)	(8,660,950)	(4,609,277)		
Sale of Gorham Property		1,519,615						
Net cash used in investing activities	(\$5,641,941)	(\$450,087)	(\$1,922,894)	(\$2,708,996)	(\$8,615,950)	(\$4,710,570)		
Net increase (decrease) in cash	(2,806,749)	2,027,792	2,323,277	(525,744)	(6,987,730)	(2,981,610)		
Cash & Reserves - end of period	\$26,510,251	\$28,538,043	\$30,861,320	\$30,335,576	\$21,084,675	\$27,353,966		

Cash Reserve Detail

Operating Cash Reserve	\$8,174,000	\$8,249,690	\$8,290,518	\$8,301,636	\$8,222,871	\$5,444,419	\$5,444,419	\$5,444,419
Landfill Closure Reserve	300,151	300,941	301,736	301,753	301,610	305,136	305,136	305,136
Discretionary Landfill Closure Reserve	3,922,780	6,214,445	7,712,419	9,789,027	9,560,194	9,600,575	9,600,575	22,217,000
Long Term Capital Reserve	4,049,713	4,057,653	4,520,183	4,984,354	0	4,881,510	4,881,510	4,881,510
Recycling Revenue & Cost Sharing	500,294	502,516	502,847	-	0	0	0	0
Short Term Capital Reserve	3,265,183	3,298,492	3,310,239	3,316,864	0	3,336,441	3,336,441	3,336,441
Bond Payment Reserves								
Debt Service Reserves								
Balance Operating Cash	6,298,130	5,914,305	6,223,377	3,641,942	3,000,000	3,785,885		
Total	\$26,510,251	\$28,538,043	\$30,861,320	\$30,335,576	\$21,084,675	\$27,353,966	\$23,568,081	\$36,184,507

ecomaine								
Capital Expenditures								
December, 2018 (FY19)								
Project		FY 2019 Budget	Project Expend YTD	FY 19 Forecast	Variance From Budget	Total Cost @ 06/30/19	In-service Date	Comments
No	Title							
Waste-to-Energy								
1524-477-8	Boiler - Inconel Work - FY 19	350,000	163,889	\$ 368,389	(18,389)	368,389	Nov-18	Complete
1524-	Boiler - Rapper system replacement	150,000			150,000	-		Postponed
1524-359-2	Boiler - Superheater Tube Replacements.	50,000	391,620	\$ 190,000	(140,000)	310,087	Nov-18	Complete
1524-440-2	Delta V DCS hardware and software upgrades	75,000	40,004	\$ 75,000	-	75,000	Apr-19	In Progress
1524-029-2 x	Building Improvements - Leaks, Siding, Remodeling	2,500,000	98,872	\$ 1,750,000	750,000	1,884,634	Dec-19	In Progress
1524-533-2	ESP - Rebuild plates and electrodes (1,2,3 out of 5) & Casing Repa	1,000,000	994,663	\$ 1,055,000	(55,000)	1,797,295	Nov-18	Complete
1524-293-1	Facility Process Improvements - Engineering	250,000			250,000	-	Dec-19	Postponed FY19
1524-372-2 x	Refuse Crane - Replacement					1,415,121	Jun-18	Complete
1524-549-1	Equipment - UPS Replacement	65,000		\$ 65,000	-	162,210	Jun-19	In Progress
1524-505-2 x	Fire Alarm Design and Installation		2,095	\$ 100,000	(100,000)	100,395	Jun-19	In Progress
1524-554-1	Boiler - Suspension system inspection and adjustment	150,000		\$ 150,000	-	150,000	Jun-19	
1524-375-2	Building - Tipping hall bay 7 modifications & structural repairs	150,000		\$ 150,000	-	150,000	Feb-19	
1524-560-1	Equipment - Replacement grapple for refuse crane	80,000		\$ 80,000	-	80,000	Dec-19	
1524-481-2 x	480 volt switchgear		42,485	\$ 42,485	(42,485)	42,485	Jul-18	Complete
	Subtotal WTE	4,820,000	1,733,627	4,025,874	794,126	6,535,615		
Recycle								
1527-468-4 x	Equipment - Harris Baler Reline Plates & Hardware			33,700	(33,700)	59,978	Apr-19	In Progress
1527-394-4 x	Equipment - Install B-1 Drum Feeder Belt			20,000	(20,000)	20,000	Apr-19	In Progress
1527-381-3 x	Equipment - Upper ONP Deck	300,000	-	300,000	-	300,000	Dec-19	In Progress
1527-555-1	Building - Replace Lower Roof Top Heat/Ac Unit	30,000		30,000	-	30,000	Apr-19	In Progress
1527-556-1	Engineering Design - Rear Loading Ramp Replacement	15,000		15,000	-	15,000	Jun-19	
1527-463-4	Equipment - American Baler Reline	20,000		20,000	-	20,000	Apr-19	
1527-557-1	Equipment - Stairway to Maint Shop Messanine	25,000		25,000	-	25,000	Apr-19	
1527-492-3	Equipment - Roll off Container Replacements	32,000		32,000	-	32,000	Jun-19	
	Fire Alarm - Prevention, Detection, Response			100,000	(100,000)	100,000	Jun-19	In Progress
	Subtotal Recycle	422,000	0	575,700	(153,700)	601,978		
Landfill								
1525-499-4	Land - Construction East Expansion	2,750,000	2,629,922	2,800,000	(50,000)	2,800,000	Dec-18	In Progress
1525-499-5	Land - Construction Management East Expansion	300,000	216,401	249,800	50,200	249,800	Dec-18	In Progress
1525-548-1	Land - GeoTech Monitoring Settlement Platforms	21,950	5,400	21,950	-	21,950	Jun-19	
1525-550-1	Land - Phase One Settlement Berm	16,000		16,000	-	16,000	Jun-19	
	Land - Geomembrane cover	20,000		-	20,000	-		Cancelled
1526-553-1	Vehicles - Ash Truck	190,000		-	190,000	-		Purchased in fy18
1526-560-1	Vehicles - Snow Plow		16,753	16,753	(16,753)	16,753	Dec-18	Complete
	Subtotal Landfill	3,297,950	2,868,476	3,104,503	193,447	3,104,503		
Administration								
1524-526-1	Building - Scale house Replacement		2,674	2,674	(2,674)	753,884		Complete
1524-526-2 x	Building - Scale House Sign		2,000	13,000	(13,000)	20,420	Nov-18	In Progress
1524-558-1	Equipment - Signs for WTE & Recycle facilities	30,000		30,000	-	30,000	Jun-19	
1528-559-1	Systems - ADP Time Clock Migration	16,000		16,000	-	16,000	Jun-19	In Progress
1528-500-5	Systems - Software Upgrades & Fixed asset upgrades	75,000		75,000	-	75,000	Jun-19	
1528-525-1	Systems - Software Upgrades		2,500	2,500	(2,500)	210,236		Complete
	Subtotal Administration	121,000	7,174	139,174	(18,174)	1,105,540		
Total All Areas		\$8,660,950	\$4,609,277	\$7,845,251	\$815,699	\$11,347,636		
x	Project carried over from prior year because they are not finished yet							
	* A project is complete when it goes in service and not when the money is necessarily spent.							

ecomaine 12/31/18						
Accounts Receivables				ATTACHMENT B6		
Date	Item	Current	31-60 Days	61-90 Days	91 & Over Days	Total
01/31/18	Balances	\$1,689,181	\$170,520	\$78,128	\$59,533	\$1,997,362
	%	84.6%	8.5%	3.9%	3.0%	100.0%
02/28/18	Balances	\$1,607,753	\$372,687	\$70,297	\$105,129	\$2,155,867
	%	74.6%	17.3%	3.3%	4.9%	100.0%
03/31/18	Balances	\$1,348,724	\$203,172	\$52,683	\$55,067	\$1,659,646
	%	81.3%	12.2%	3.2%	3.3%	100.0%
04/30/18	Balances	\$1,292,975	\$106,321	\$58,989	\$58,979	\$1,517,264
	%	85.2%	7.0%	3.9%	3.9%	100.0%
05/31/18	Balances	\$1,459,737	\$246,175	\$48,152	\$97,146	\$1,851,211
	%	78.9%	13.3%	2.6%	5.2%	100.0%
06/30/18	Balances	\$1,350,831	\$213,044	\$41,534	\$93,286	\$1,698,696
	%	79.5%	12.5%	2.4%	5.5%	100.0%
07/31/18	Balances	\$1,478,110	\$118,594	\$83,998	\$65,054	\$1,745,755
	%	84.7%	6.8%	4.8%	3.7%	100.0%
08/31/18	Balances	\$1,675,182	\$229,475	\$71,398	\$61,250	\$2,037,306
	%	82.2%	11.3%	3.5%	3.0%	100.0%
09/30/18	Balances	\$1,407,324	\$273,405	\$57,807	\$39,289	\$1,777,824
	%	79.2%	15.4%	3.3%	2.2%	100.0%
10/31/18	Balances	\$1,455,267	\$196,924	\$86,674	\$55,855	\$1,794,720
	%	81.1%	11.0%	4.8%	3.1%	100.0%
11/30/18	Balances	\$1,422,118	\$173,399	\$37,476	\$37,042	\$1,670,036
	%	85.2%	10.4%	2.2%	2.2%	100.0%
12/31/18	Balances	\$1,505,592	\$134,840	\$17,397	\$72,335	\$1,730,163
	%	87.0%	7.8%	1.0%	4.2%	100.0%

Note: The Allowance for Doubtful Accounts & 1217 IRS are not included in the above.

RESERVES

As part of strengthening **ecomaine's** financial position, we will establish and fund the reserves outlined below with the knowledge that general economic conditions and other **ecomaine** needs may impact on the timing of the funding of these reserves. There may also be conditions that arise requiring the **ecomaine** board to authorize the use of a reserve in a manner not originally intended for unanticipated financial issues. Therefore, with Board approval, funds from a reserve (with the exception of the Required Landfill Closure / Post Closure Reserve) could be used to cover other areas.

FAVORABLE CASH FLOW

Objective: To provide financial relief to owner communities when the financial position of **ecomaine** permits it.

OPERATING CASH RESERVE

Objective: To provide routine operating cash and financial security for extraordinary events that could cause a significant decrease in operating revenues or increase in operating expenses. These would be used to fund operations until any necessary adjustments can be made to provide sufficient cash flow to maintain operations.

Goal: We will build and maintain a balance of six months of cash operating expenses.

SHORT TERM CAPITAL RESERVE

Objective: To reserve funds for routine capital projects in the event of unanticipated circumstances.

Goal: We will establish a reserve equal to approximately 12 months of short term capital spending.

LONG TERM CAPITAL RESERVE

Objective: To reserve funds for new capital projects which have not been provided for 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 our intent to fund these projects with internal cash flow to the extent possible but economic conditions and necessity may dictate that we issue some long term debt.

Goal: We will establish a reserve equal to the greater of \$3 million or the next year's long term capital spending.

DISCRETIONARY LANDFILL CLOSURE / POST CLOSURE RESERVE

Objective: To fund from internal cash flow a discretionary amount periodically for the landfill closure and post closure care costs during the remaining useful life of the landfill. Regulation, technology and other factors will impact the cost and life but as of June 30, 2015, this liability is estimated to be \$22.4 million in today's dollars and it is expected that the landfill will need to be closed in steps with final closing in 2044 and continued maintenance for 30 years thereafter.

Goal: We will establish a reserve that will fully fund this liability by the time the landfill is closed.

REQUIRED LANDFILL CLOSURE / POST CLOSURE RESERVE

Objective: To provide funding for a Landfill Closure / Post Closure Reserve account as required by section 8 of the Interlocal Solid Waste Agreement dated December 1, 2005.

Goal: We will immediately establish a reserve for \$300,000 to meet the terms of this agreement.

INCOME EARNED

Income earned on reserve accounts shall accrue to the respective reserve account.

RECORD KEEPING

These funded reserves may be maintained in separate accounts at financial institutions or may simply be reported separately in the **ecomaine** financial statements whatever is most efficient for **ecomaine**.

PERIODIC REVIEW

Five year cash flow projections and reserve funding requirements will be reviewed annually with the **ecomaine** board.

INVESTMENTS

SCOPE

This policy shall apply to the investment management of all **ecomaine** cash accounts including demand deposits and any reserve funds that are established under this policy. At all times, investments will be managed in accordance with Title 30-A, Sections 5706 through 5719 of the Maine Revised Statutes (see attached) and any revisions to these Statutes will become part of this policy immediately upon being enacted. Board responsibilities as identified in this policy may be delegated to the appropriate committee or staff member.

OBJECTIVES

The principal investment objectives for **ecomaine** are:

- **Safety** – to avoid unreasonable risk while preserving both the capital and the purchasing power of that capital. It is understood that no investment is totally free of risk, and occasional measured losses are inevitable in a diversified portfolio. Risk may include the quality of the investment, the qualifications of the institutions and advisors we deal with, the diversification of the portfolio, the movement of interest rates, inflation and the general state of the economy.
- **Liquidity** – to maintain sufficient liquidity to meet all operating requirements as may reasonably be anticipated by structuring the portfolio with investments that mature as the need for cash occurs.
- **Returns** – to generate a long-term rate of return in the portfolios that is commensurate with the appropriate blended benchmark returns that coincide with the asset allocation for each portfolio over an economic cycle, taking into account risk and liquidity needs.

Each of these factors will be weighted depending on the objective and goal for each reserve account.

PRUDENCE & RESPONSIBILITIES

The standard of prudence to be used for managing our investments shall be Title 30-A, Section 5718 of the Maine Revised Statutes which, in general, states that investments shall be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment, considering safety, income and maintenance of liquidity.

Authorized **ecomaine** employees acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion.

ETHICS AND CONFLICTS OF INTEREST

ecomaine personnel involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair or create the appearance of an impairment of their ability to make impartial investment decisions. These individuals shall disclose to **ecomaine** any material financial interests they have in financial institutions that conduct business with **ecomaine** and they shall subordinate their personal investment transactions to those of **ecomaine**.

DELEGATION OF AUTHORITY & INTERNAL CONTROLS

Under the Maine Revised Statutes and the **ecomaine** bylaws, responsibility for the investment of **ecomaine** funds covered by this Policy resides with **ecomaine**. Staff will assist the Board in developing policies and procedures and will implement these policies and procedures after approval by the **ecomaine** board. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

Staff will develop written procedures designed to prevent losses of **ecomaine** funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by **ecomaine** employees. Proper documentation for all investment transactions shall be prepared and maintained for an appropriate amount of time.

Staff may engage the support services of outside professionals in regard to its investment program, so long as it can be demonstrated that these services are advantageous or that they provide necessary financial protection of **ecomaine's** financial resources.

SELECTION OF ADVISORS

Management will, at least every five years, issue an RFP seeking investment services for **ecomaine** pursuant to 30-A M.R.S.A. § 5706(4). Services are to consist of advice, the safekeeping of the funds, collection of interest and dividends, and any other fiscal service that is normally covered in an advisory agreement. Other than Demand Deposit amounts (see below) all **ecomaine** investment activities as addressed in this Policy are to be provided by the selected firm. The Board will approve this selected firm.

All Advisors who desire to become qualified for **ecomaine** investment management must meet all requirements set forth in Section 5706(4) and supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of FINRA (Financial Industry Regulatory Authority) certification (not applicable to certificate of deposit counterparties)
- Proof of registration to buy and sell securities in the State of Maine
- Certification of having read understood and agreed to comply with **ecomaine's** Cash Reserve and Investment Policy.
- Evidence of adequate insurance coverage (FDIC, SIPC, or other appropriate collateral)

When selecting Advisors, consideration will be given to local or regional firms as long as they meet the standards set forth in this policy. The selection of Advisors will be on the basis of their expertise in institutional cash management and their ability to provide services for **ecomaine** along with their fee structure.

Once selected the firm shall be required to resubmit the above on an annual basis and **ecomaine** may review the financial condition and registration annually for the selected firm.

AUTHORIZED SECURITIES AND TRANSACTIONS FOR ALL INVESTMENTS FAVORING LOWER RISK AND HIGHER LIQUIDITY

Monies to be invested under this investment philosophy (of lower risk and higher liquidity) include any cash in excess of the reserves as defined above, 100% of the Operating Reserve, 100% of the Short Term Capital Reserve, 100% of the Required Landfill Closure / Post Closure Reserve, and any Fixed Income Investments associated with the remaining reserves (see below).

As noted above the investment philosophy for these funds favors lower risk and higher liquidity. The need for the funds will be "near term" and the asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the anticipated cash flow needs. Income received from these funds is to be re-invested in these reserves. The investment of these funds will be in the types of securities and transactions listed below and all are to be guaranteed by the Federal Government or one of its agencies backed by the Federal Government.

1. Demand Accounts & Time Certificates of Deposit: To be provided by institutions insured by the Federal Deposit Insurance Corporation (FDIC), The National Credit Union Share Insurance Fund (NCUSIF), or the successors to these federal agencies. If the amount deposited exceeds the insurable levels the excess must be collateralized by securities authorized by the Federal Home Loan Bank (FHLB). Time Certificates of Deposit will have maturities not exceeding three years.
2. U.S. Treasury Obligations: Treasury Bills, Treasury Notes and Treasury Bonds with maturities not exceeding three years from the date of trade settlement.
3. Federal Instrumentality Securities: Debentures, discount notes and callable securities, with maturities not exceeding three years from the date of trade settlement, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Student Loan Marketing Association (SLMA).
4. Money Market Mutual Funds: registered under the Investment Company Act of 1940 which (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to U.S. Treasury Obligations, Federal Instrumentality or Agency Securities or repurchase agreements collateralized by such securities; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7.

It is the intent of the **ecomaine** board that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be preapproved by the Board.

ecomaine investment performance will be reviewed periodically by management with the Board. Fixed income investments will be compared to the appropriate bond index (e.g. Barclays Aggregate, Barclays U.S. Treasury, etc.) based upon bond maturity length. The goal of the fund will be to maintain over a normal market cycle (5 years) an annual rate of return on a comparable aforementioned index portfolio.

AUTHORIZED SECURITIES AND TRANSACTIONS FOR INVESTMENTS FAVORING REDUCED LIQUIDITY, AND GREATER RETURNS.

As detailed in this policy, **ecomaine** maintains reserves for Long Term Capital needs and for the funding of the Discretionary Landfill Closure / Post Closure Reserve. A portion of these “longer term funds”, due to their nature, are invested under a longer-term investment perspective to include a conservative and balanced portfolio of equity and fixed income investments. There is less interest in liquidity and more interest in returns with safety as the primary focus. Income received from these funds is to be re-invested in these reserves.

The Long Term Capital Reserve and the Discretionary Landfill Closure / Post Closure Reserves are to hold no less than 50% nor more than 80% of each accounts value in equities without consent of the **ecomaine** board. Such consent shall not be given until it has been read on two separate days by the **ecomaine** Board prior to voting. To the extent the Reserve Funds listed in this paragraph are managed by a financial institution or investment advisor pursuant to Section 5706(4), “Equities” shall include, but not be limited to, individual equities, equity mutual funds, bond mutual funds, or other investments that 1) may risk loss of principal, and 2) are subject to

Maine law and the Prudent Investor Rule. No single fixed income security will comprise more than 10% of the total value of each of the reserves, unless fully backed by the federal government or its agencies and instrumentalities.

The balance of each of these reserves (non equity portion) will be in investments as described under **AUTHORIZED SECURITIES AND TRANSACTIONS FOR ALL INVESTMENTS FAVORING LOWER RISK AND HIGHER LIQUIDITY.**

All reserve funds must be invested in accordance with 30-A M.R.S.A. §§ 5706-5719 or managed by a qualified financial institution or investment advisor pursuant to Section 5706(4).

ecomaine investment performance will be reviewed periodically by management with the Board. Equity investments are to be measured against the asset class bench mark (e.g. S&P 500 Index, Russell Midcap Index, MSCI Emerging Markets Index, etc.). The goal of the fund will be to maintain over a normal market cycle (5 years) an annual rate of return on a comparable aforementioned index portfolio.

POLICY REVISIONS

This policy shall be reviewed periodically by the Board and may be amended as conditions warrant.