ecomaine

APPROVED

BUDGET

FY 26

APRIL 17, 2025

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FY 2026 Operating Budget - Table of Contents

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March 20, 2025

Dear Board of Directors:

I'm submitting to you the proposed budget for FY26 for your review and consideration. This includes a financial forecast for FY 25 which is looking to be considerably favorable to budget by about $2 million. This is due to positive variances in electrical revenues, commercial tipping fees and overall favorable expenses. Inflation has also come down to a more modest level (CPI U presently at 2.82%).

Notable to next year's budget proposal is that our finance team put together a balanced budget, something that will help us preserve our reserves over the next year. That said, from a more challenging perspective, this will be the first full year of the interest impact of the borrowing of $35.5 million for the improvements to the new recycling facility, the landfill and the waste-to-energy facility. Also included in the proposed budget for next year is $10.1 million in capital improvements for the upcoming year, of which we are proposing to bond this fall for $6.4 million.

Current Projections for FY25

Turning again to the forecast for FY25, we anticipate that revenues will come in at $29 million which is $691 thousand favorable to budget. The notable revenue variances are Commercial Tipping Fees favorable by $392 thousand, Electrical Revenue favorable by $609 thousand and Recycling Tipping Fees unfavorable by $411 thousand.

On the operating expense side, we're forecasting $25 million which is $180 thousand (0.7%) favorable to the FY25 budget. Most of this positive variance can be attributed to wages and benefits coming in favorably ($327 thousand), WTE electricity (favorable $127 thousand) and Landfill Leachate (favorable $228 thousand).

The forecast does anticipate one significant unfavorable result for WTE Bypass ($676 thousand) which is attributed more bypass waste and to removing more waste material from the landfill. Total Net Operating Income (before Interest, Depreciation and Amortization) is forecasted to be a positive $4.83 million or $871 thousand favorable to budget. Total Net Income on a GAAP basis is forecasted to be $964 thousand which is favorable to budget by $2.075 million.

Proposed FY26 Budget vs the FY25 Budget

Comparing the FY26 budget with the FY25 budget, expenses are up by $2.685 million, however the increase is covered by revenues which are up by $5.2 million. This results in a Total Net Operating Income of $6.5 million as compared to last year's $3.96 million. Total Net Income on a full GAAP basis is budgeted at a **breakeven** as compared to last year's budgeted loss of $1.1 million.

Erik Street, Chairman. Kevin H. Roche, CEO/General Manager
64 Blueberry Road, Portland, Maine 04102. Tel: 207-319-3100. Fax: 207-773-8296. www.ecomaine.org

On a budget-to-budget comparison, the reasons why Revenues are up $5.2 million (18.0%) are due to an increase in Tipping Fees which are favorable by $2.975 million, Electrical Revenue which is favorable by $1.76 million and Recycling Tipping Fees which are favorable by $263 thousand.

On the expense side, most of the $2.7 million increase (10.7%) can be attributed to WTE Bypass (up 217.5%), Benefits (up 8.1%), and WTE Chemicals (up 7.6%), while Landfill Leachate is down $93 thousand (16%).

On the Non-Operating income and expense side, we've analyzed investment income over the past several years and it recognizes annual earnings of approximately 7.7%. For FY26, we are budgeting $882,000, which is a slight decline from last year ($980,000). Offsetting this revenue is interest expense which is increasing as a result of the financing. This added debt will result in an increase in Interest Expense of $468 thousand.

Proposed Capital spending in FY26 is $10.1 million which includes a proposed borrowing of $6.4 million. It's important to keep in mind that several of these capital improvements were re-allocated from last year and furthermore, the improvements to the economizer will extend into FY27.

In summary, I'm pleased to report that this is the first year we have been able to present a balance budget in some time. We are also consistent with our five-year financial plan that was submitted and reviewed by the board last fall. It's worth noting that we increased the contingency budget by $100,000 as a concern for possible Canadian tariffs. The impact could be significant, and we felt increasing the contingency was necessary.

Our plan is to review the Five-Year Plan again this summer after year-end financial results are in, and report back to the board with an updated Five-Year Analysis. This financial tool has proven to be a critical piece in our financial planning and performance.

As we move forward, we will continue to focus on our mission in providing comprehensive, long term solid waste solutions in a safe, environmentally responsible, economically sound manner and continue our leadership in raising public awareness of sustainable waste management strategies. If you have any questions or comments, please know that our team here at ecomaine is happy to respond.

Sincerely,

Kevin Roche
CEO / General Manager

A look at the Current Year Forecast
Comparing the FY2025 Budget to the FY2025 Forecast

Revenues – favorable by $691K or 2.4%

- Electrical generation revenue – favorable by $609k or 14%, due to:
  - Better generation and new electrical PPA 40% increase in rates, last 4 months of FY2025
- Commercial MSW tipping fee – favorable by $392K or 4%, due to:
  - 1% higher tons and 3% rate increases
- Recycling tipping revenue – unfavorable by $411k or 15%, due to:
  - Tons down to budget by 10%

Operating Expenses – favorable by $180K or 0.7%

- WTE Bypass waste – unfavorable by $673k or 85%, due to:
  - MSW tonnage delivery during parts of the year were above processing capabilities
  - Moving tons out of Landfill MSW storage
- Landfill Leachate – favorable by $228K or 40%, due to: favorable weather conditions
- Recycling Wages and Benefits – favorable by $203K or 14%, due to: unfilled vacant positions
- WTE Chemicals (urea & lime) – unfavorable $189K or 13%, due to: increased usage and prices
- WTE Electricity – favorable by $127K or 44%, due to: credit recognized from CMP billing error
- WTE Spare Parts – unfavorable by $106K or 15%, due to: increased usage
- Administration Wages and Benefits – favorable by $119K or 6%, due to: unfilled vacant position
- Recycling Major Repair – unfavorable by $31K or 100%, due to:
  - loader and fire suppression system repairs

A look at the FY2026 Budget
Comparing FY2025 Budget to FY2026 Budget

Revenues – up $5.2M or 18.0%

- Electrical revenue – up $1.8M or 40%, due to: new power purchasing agreement (PPA)
- Tonnage impacts to revenue and rate increases:
  - Owner MSW revenue – up $1.2M or 22%
  - Contract MSW revenue – up $1.0M or 47%
  - Commercial MSW revenue – up $641K or 7%
  - Recycling tipping fees – up $263K or 10%

Operating Expenses up $2.7M or 10.7%

- WTE Bypass – up $1.7M or 218%, due to: potential tonnage impacts
- WTE Chemicals – up $141K or 8%, due to: price increases
- Landfill Sewer – down $93K or 16%, due to:
  - Reduction of leachate expectations from FY2024 high usage
- WTE Major Repairs – down $70K or 21%, due to: project timing
- WTE Electric – up $58K or 20%, due to: price increases relating to CMP's "stranded costs"
- Recycling Spare Parts – up $50k or 33%, due to: expecting more repairs as plant continues to age
- Transportation Vehicle Maintenance, Parts & Outside services – down $39k or 25%, due to:
  - increased employee awareness of equipment capabilities and warranty on new trucks

Non-Operating Expense up $1.2M or 82.8%

- Lease and Bond interest payments – increase of $691K or 52%, due to:
  - Necessary increased borrowing costs

Payroll and Benefits Changes FY2025 Budget vs. FY2026 Budget

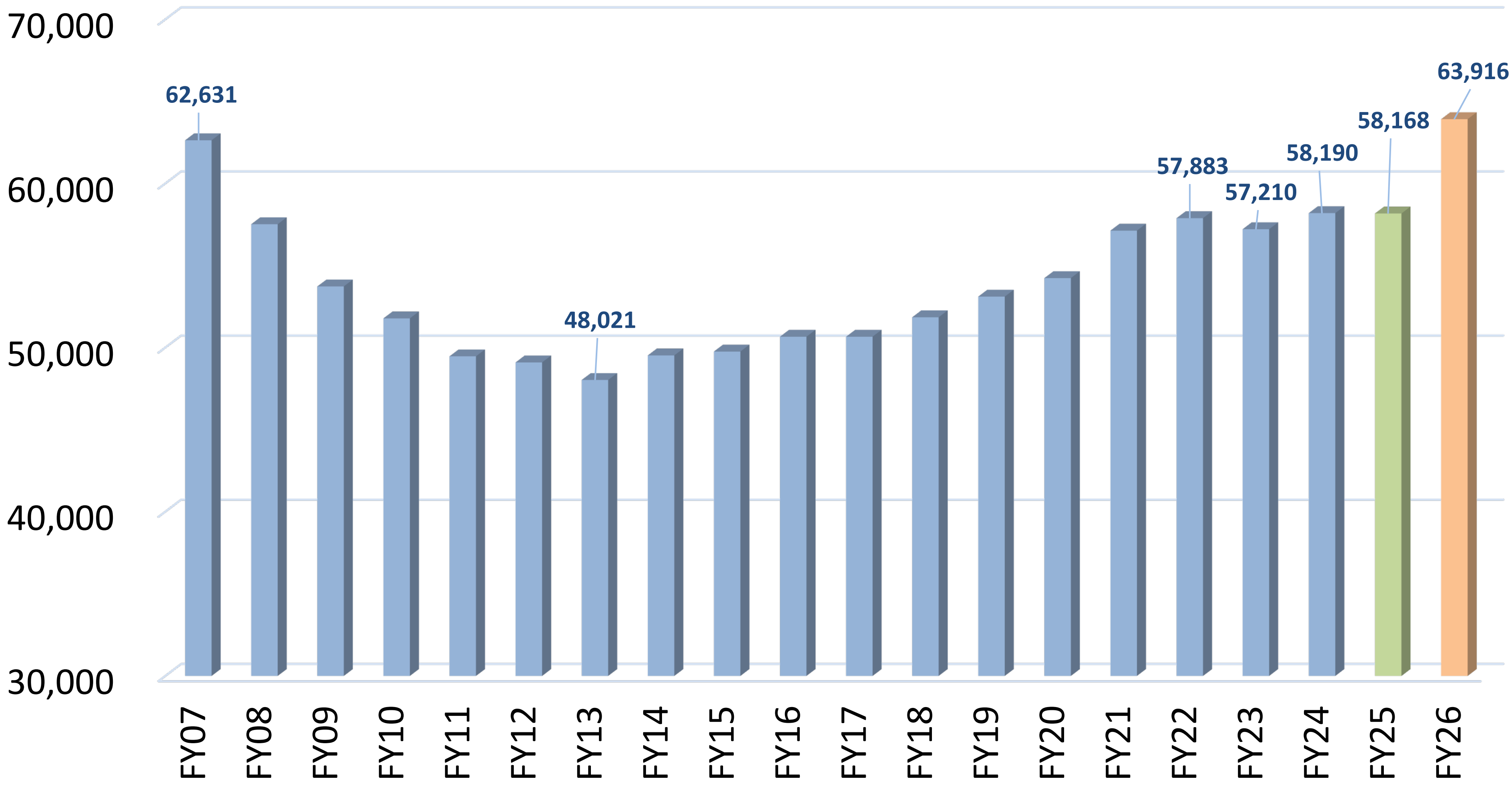
- Overall increase of $354k in wages and $246K in benefits
  - Continued decrease in overtime from highs experienced in FY2023
  - Budget includes no additional positions
  - Maine Paid Family & Medical Leave – increase of $9K, due to:
    - Legislature approved statewide paid leave program
  - Health Insurance – increase of $202K, due to: poor experience
  - Workers Comp – decrease of $15K, due to: improved experience

Revenue, Volume, Unit Values

Historical Trends and Projections

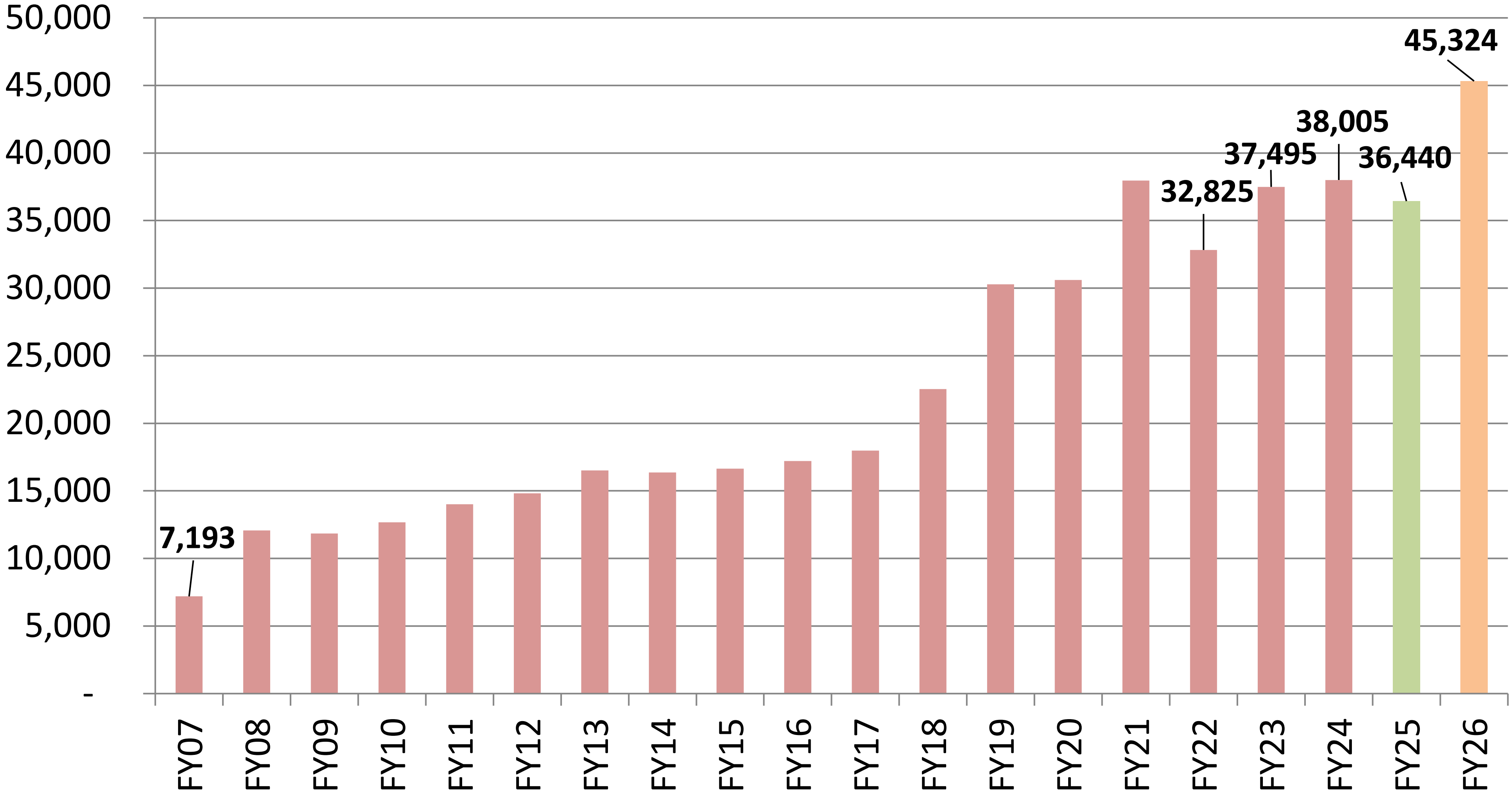
Owner Communities MSW Tons

Due to recycling, actuals dropped 7% over 20 years, but has increased 21% from FY2013. Budget went up due to the potential volume increases.



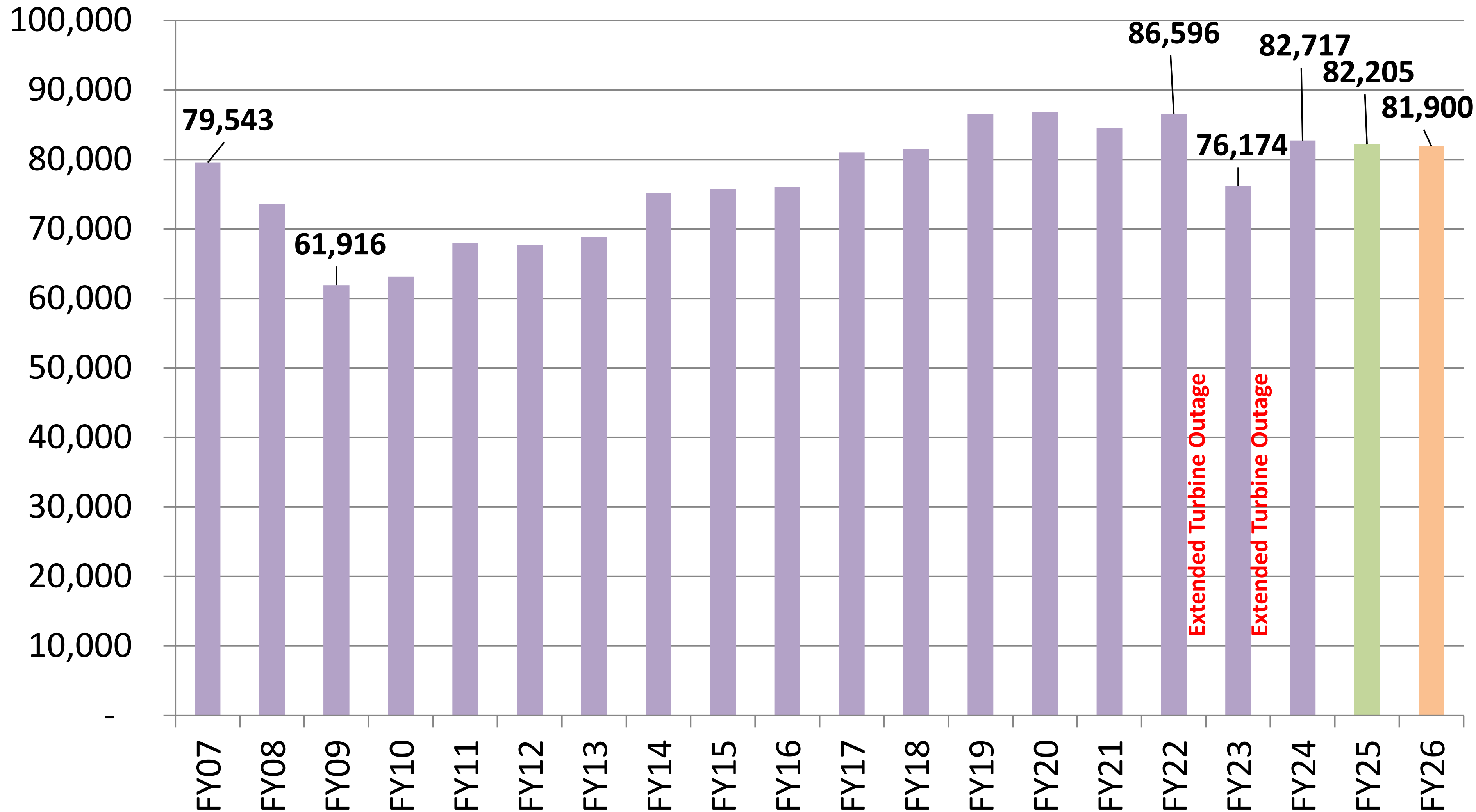
Associate & Contract Member MSW Tons

Actuals up 428% since FY2007



Commercial MSW Tons

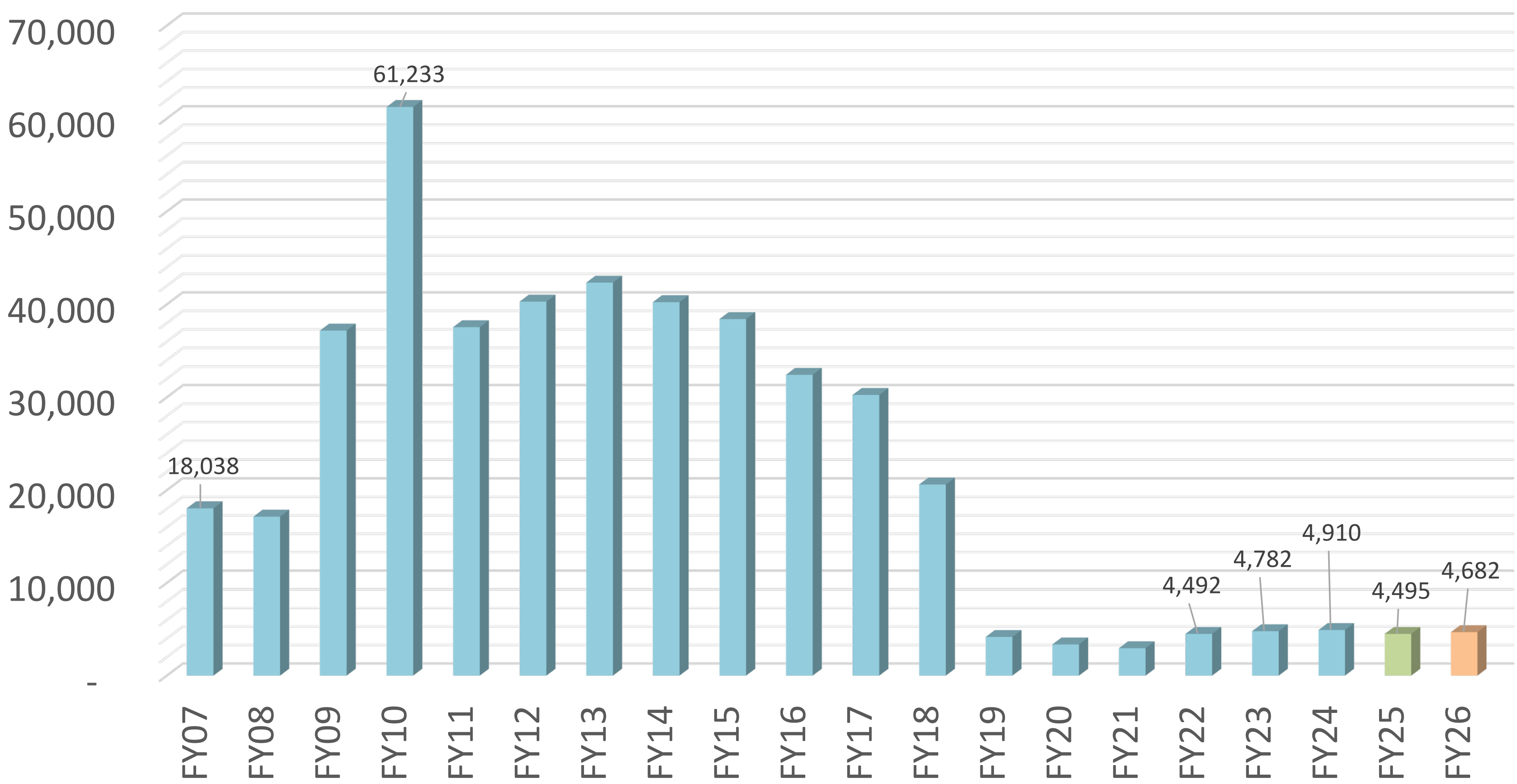
Actuals up 4% from FY2007 and up 34% from the FY2009 low



Spot Market MSW Tons

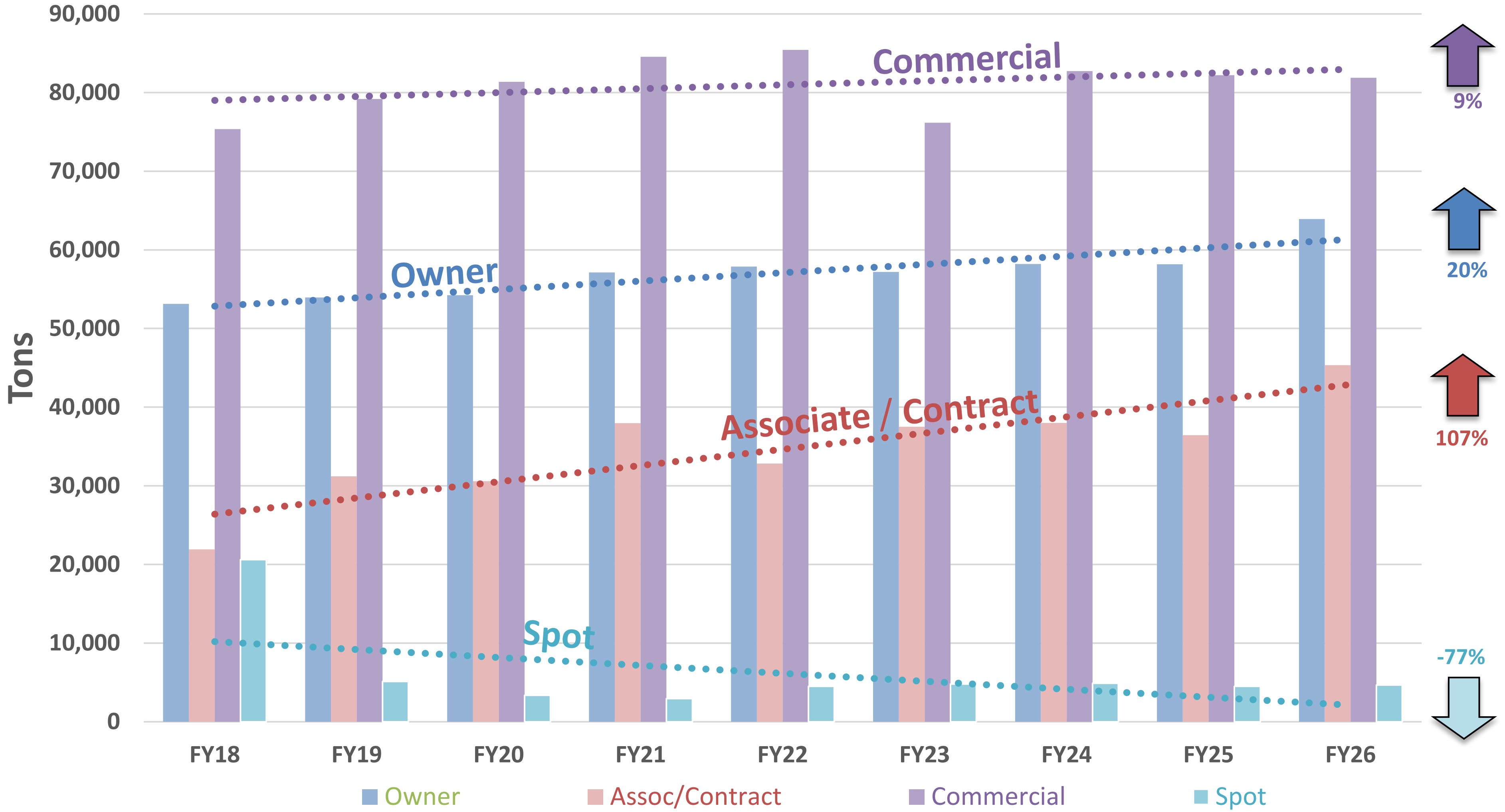
Long term shift to Contract tons

Actuals dropped 92% since FY2010.



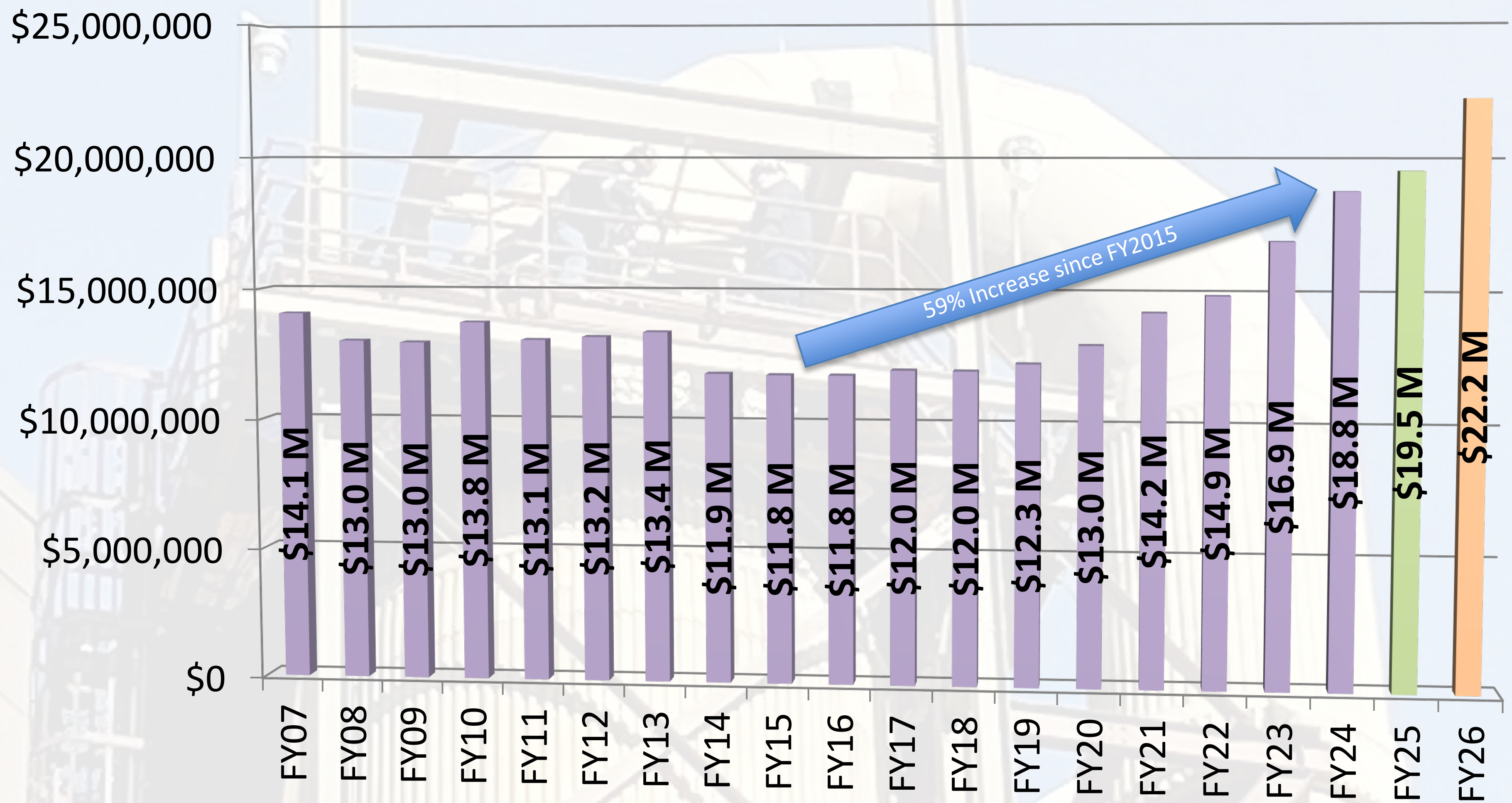
Overall Solid Waste Tons

By Member Category



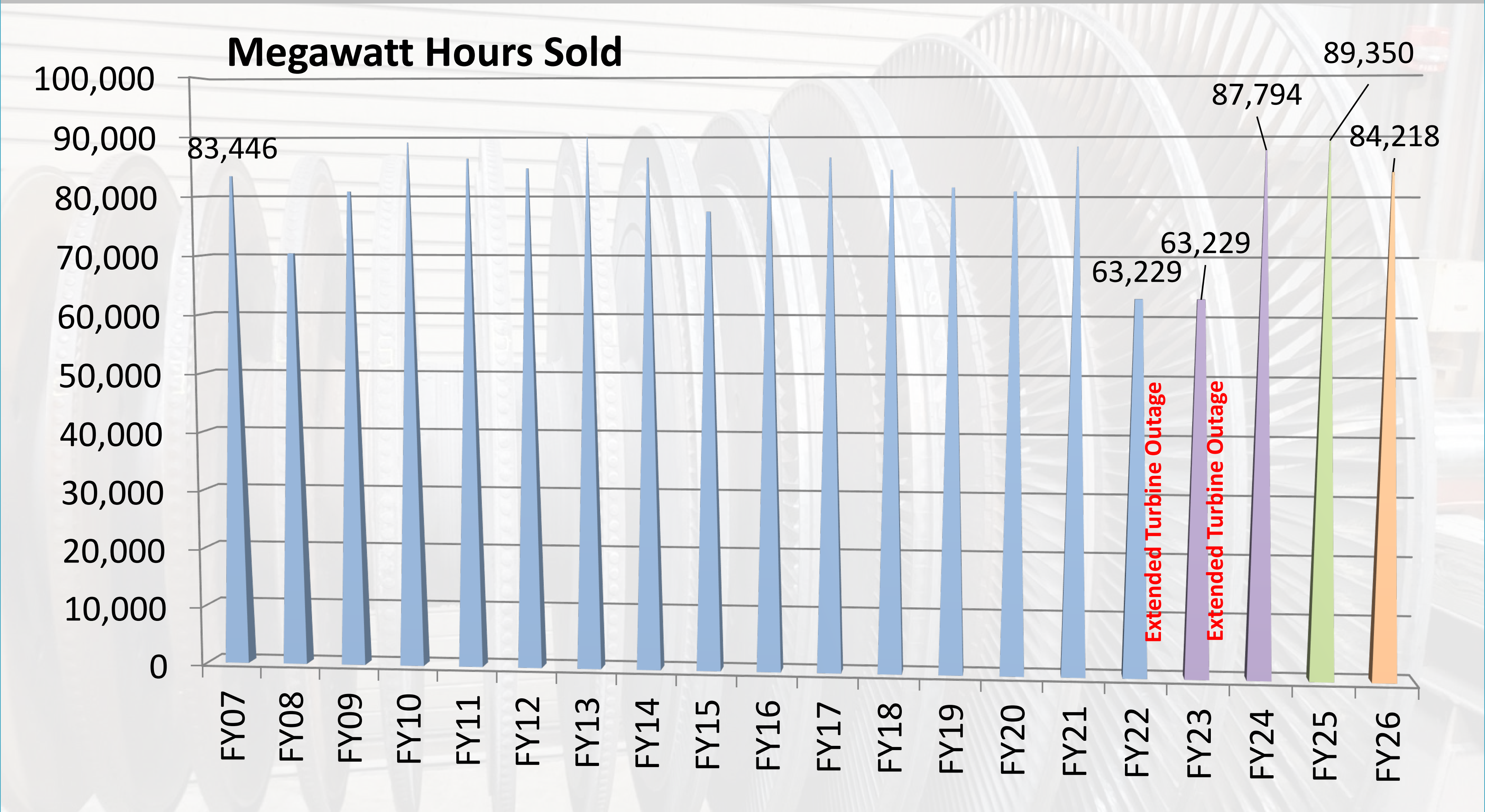
MSW Tipping Fee Revenue

Actuals up 34% from FY2007, 59% increase since FY2015



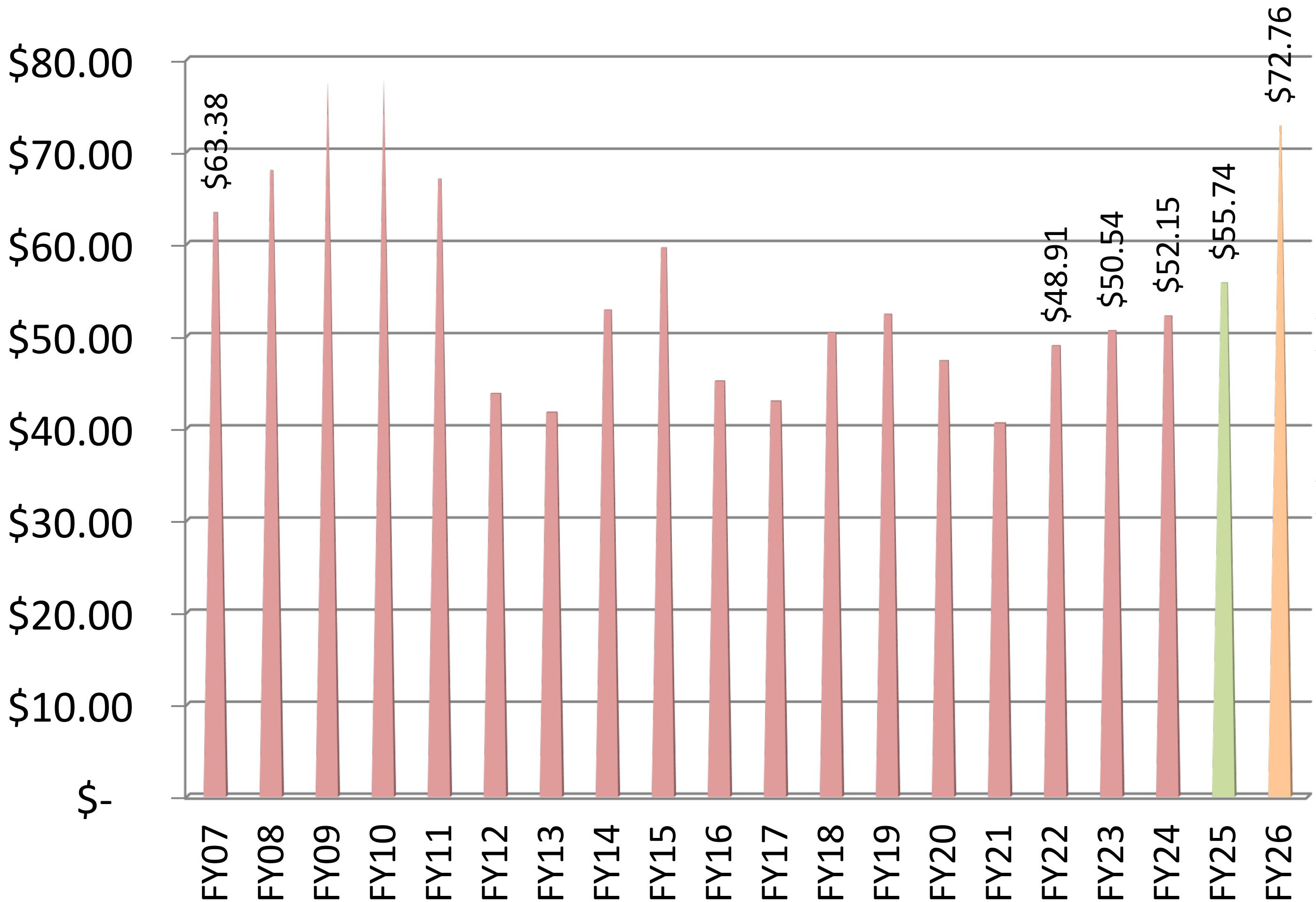
Electricity - Megawatt Hours

Significant increase in MWh after Turbine overhauls (purple years)



Electricity – Value per Megawatt Hour

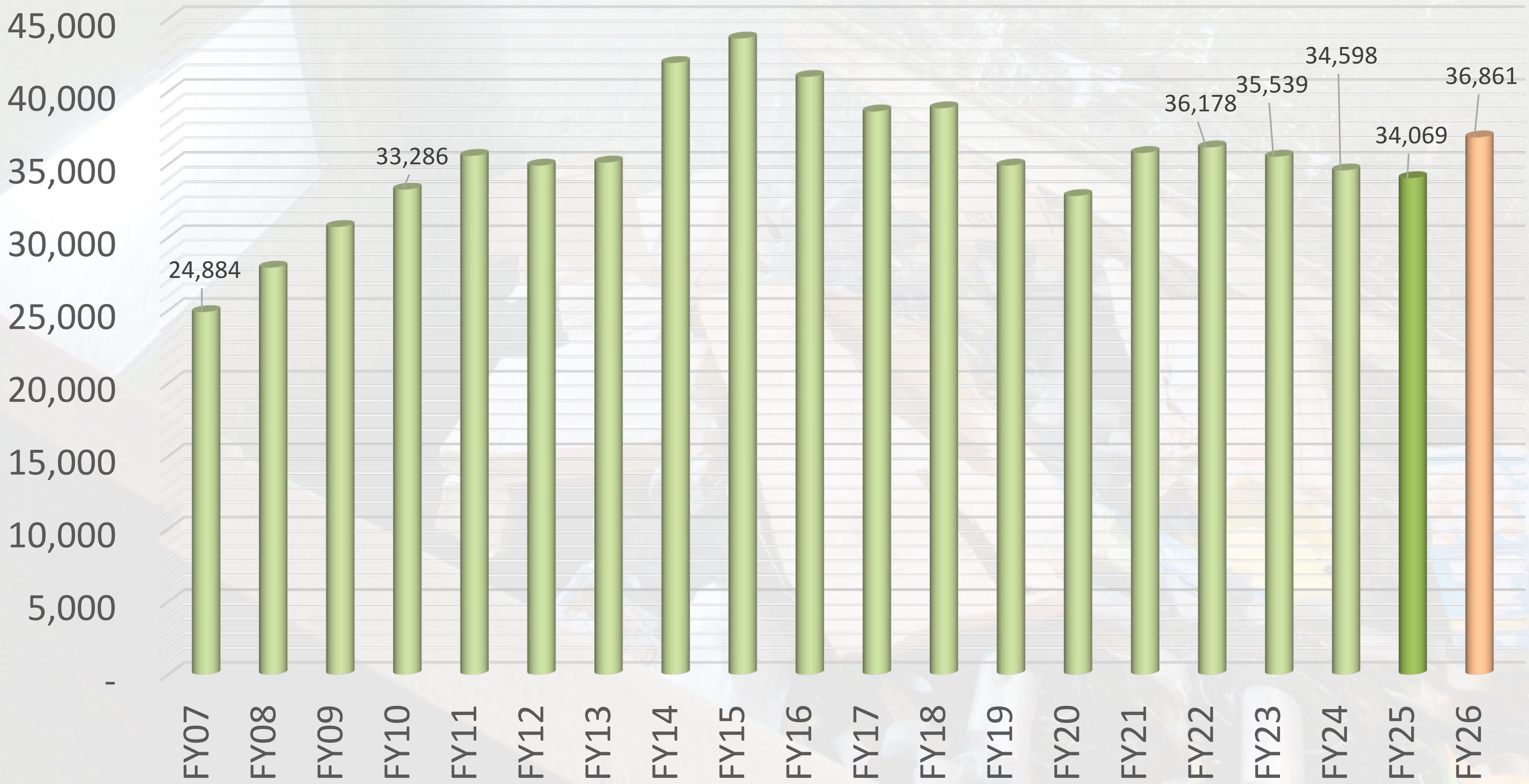
Budgeted rates up 80% from FY21's low, based on new contract



- 20-Year Average since FY2007 is $55.40
- 10-Year Average is $51.38

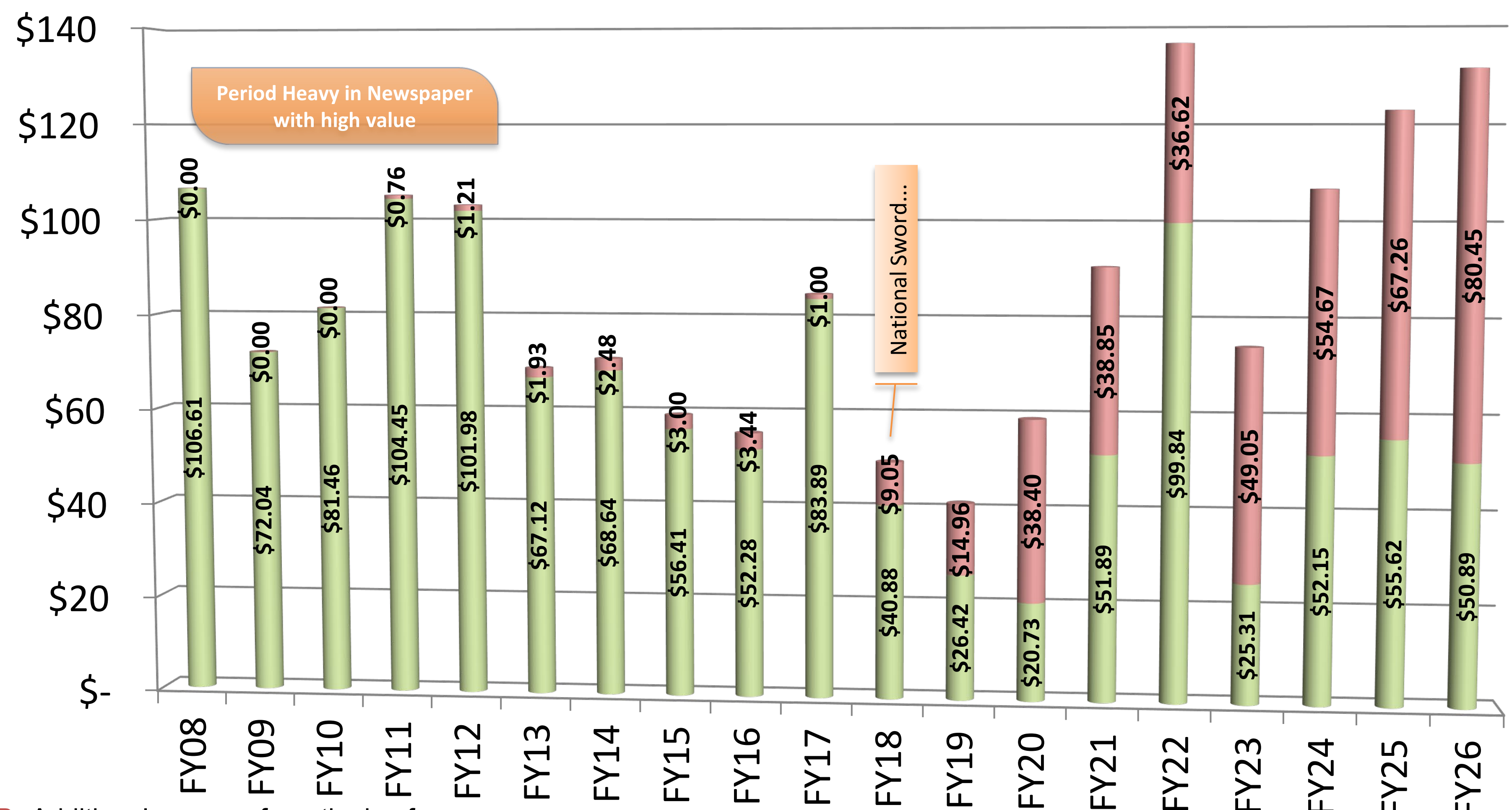
Inbound Recycling Tons

Anticipate increased tons for budgeted year



Recycling $ / Inbound Ton (Net Rebates)

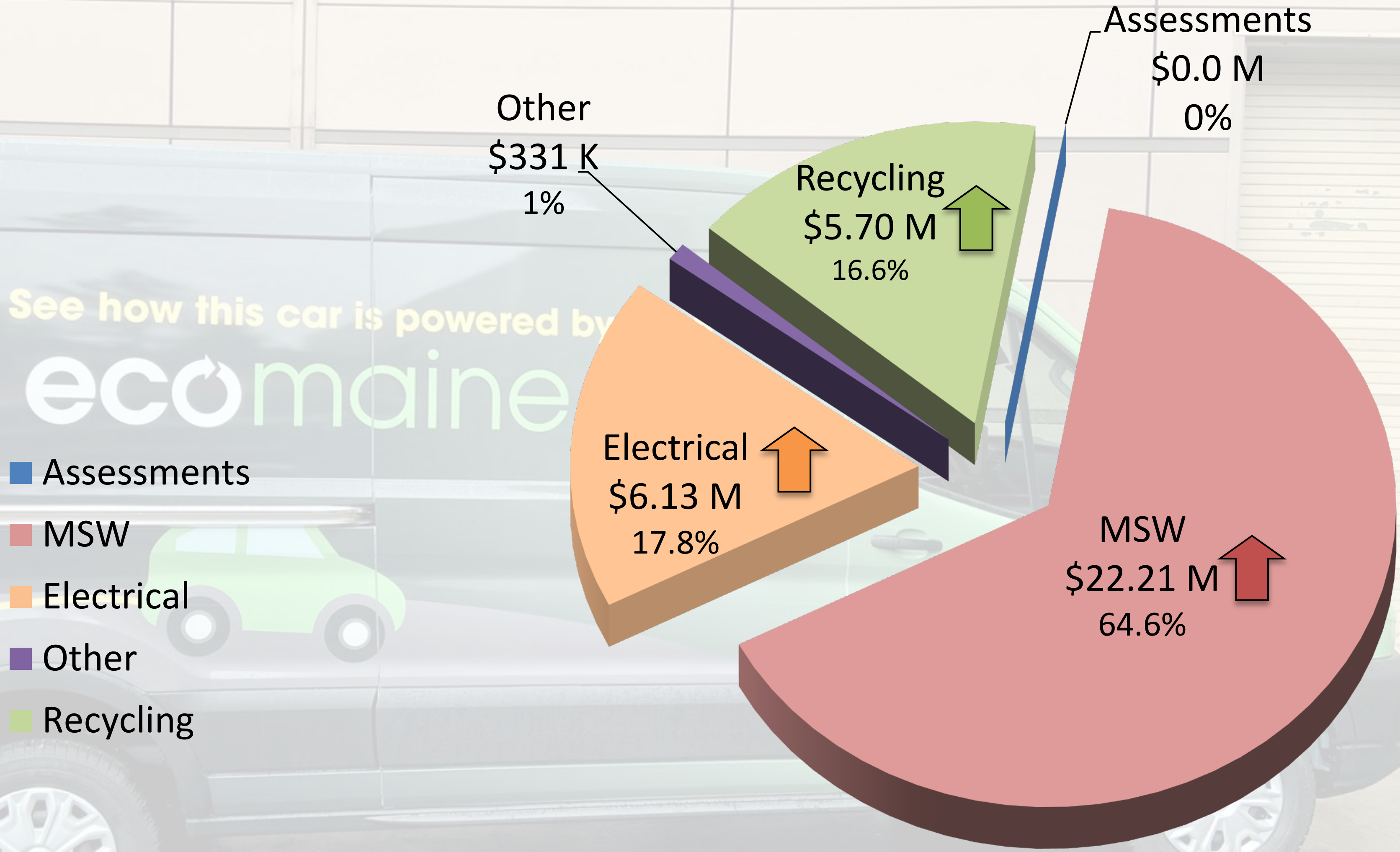
FY2026 commodity material sales budgeted with weighted three-year lookback



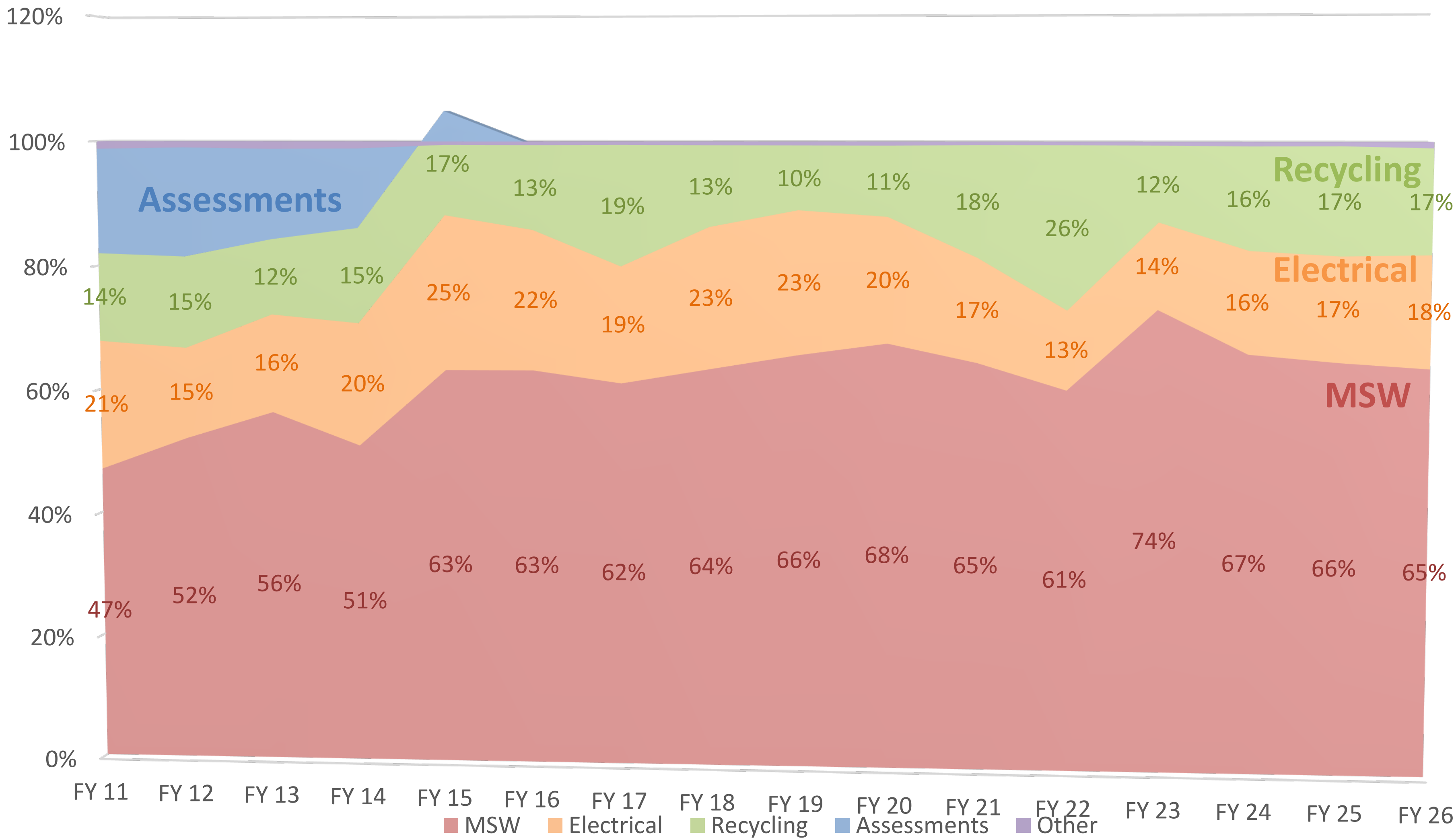
RED: Additional revenue from tipping fees

GREEN: Recycling revenue from material sale without tipping fees minus revenue sharing rebates

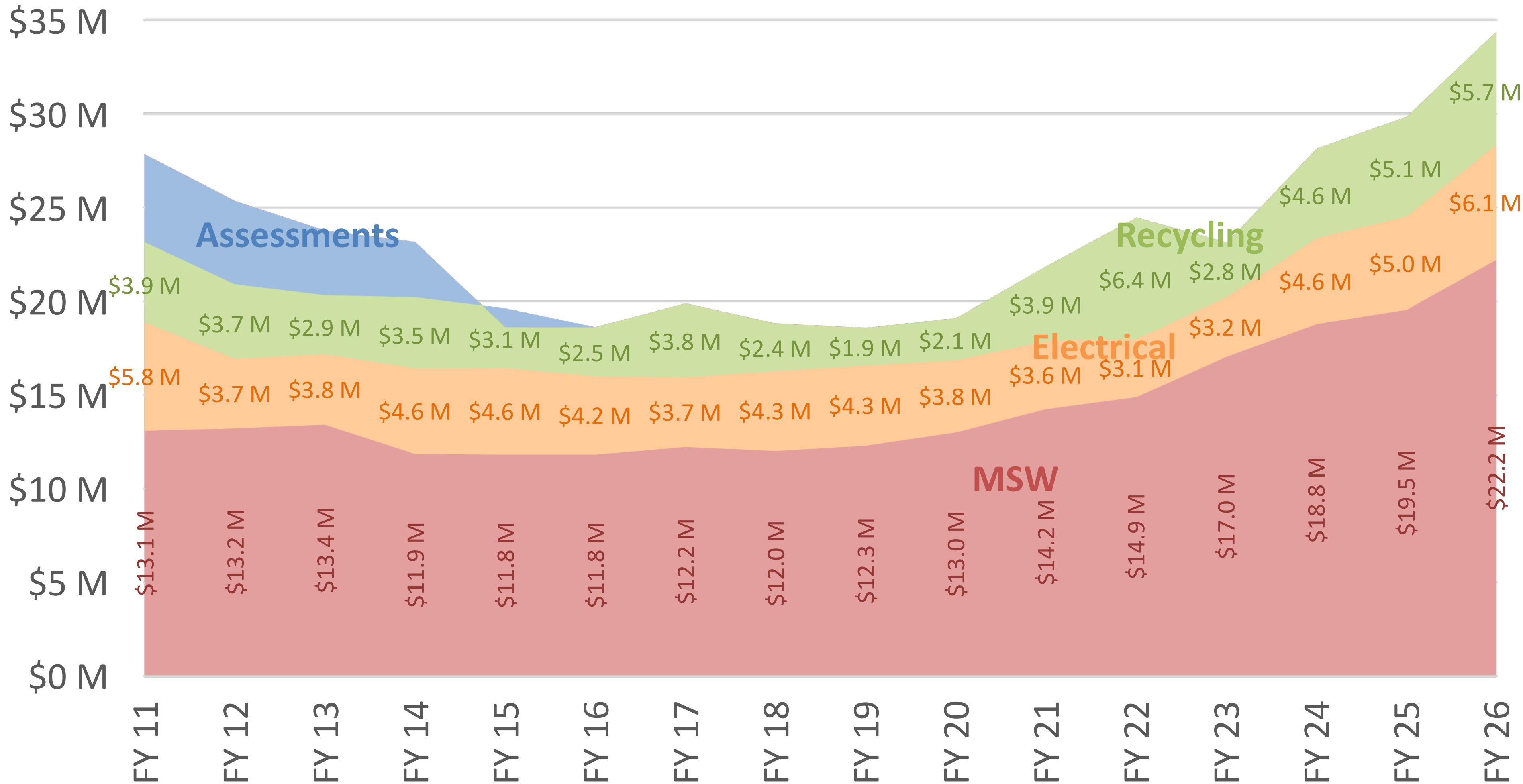
FY2026 Budgeted Revenue by Source (Pie)



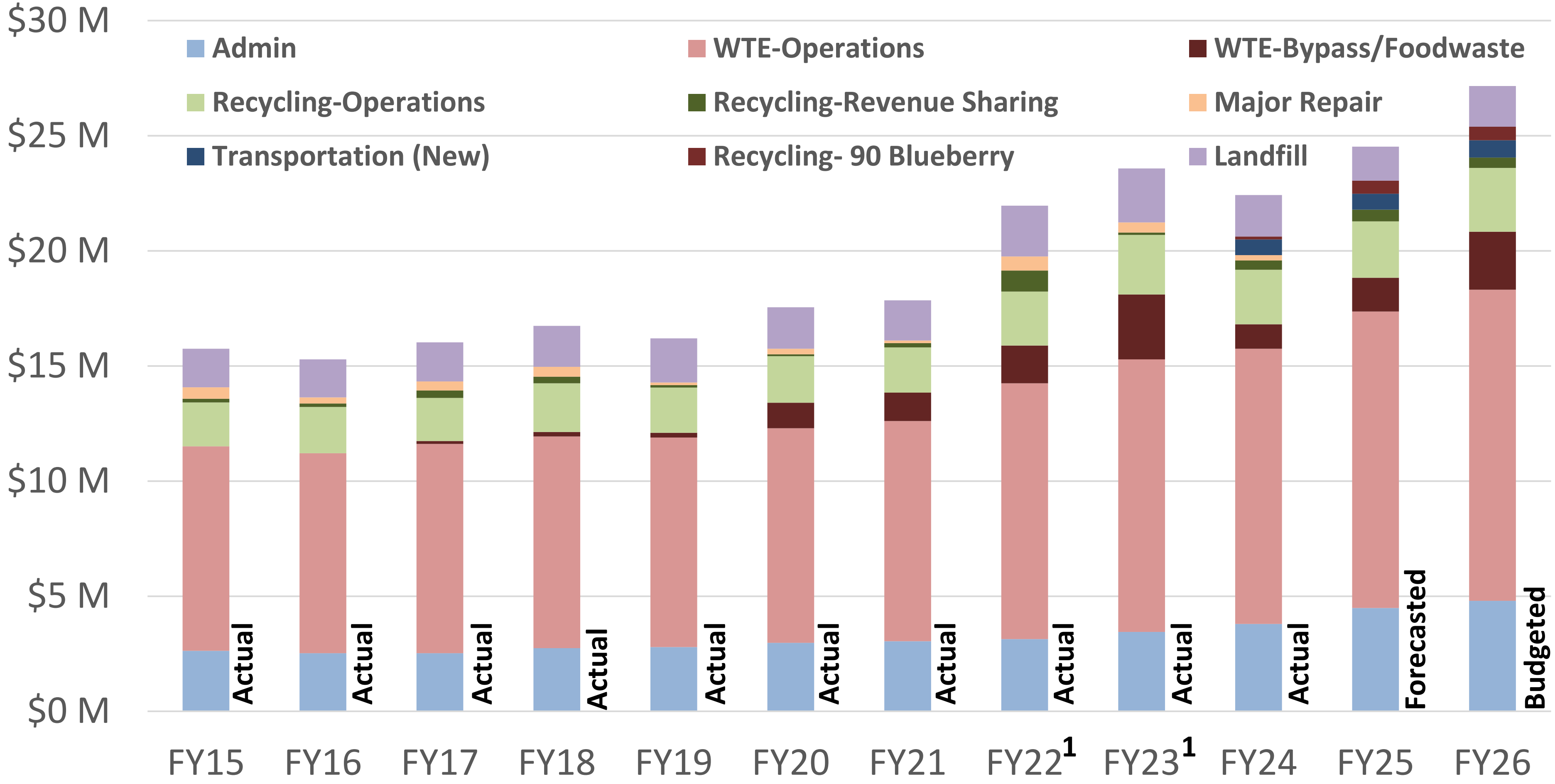
Revenue by Source (%)



Revenue by Source ($)



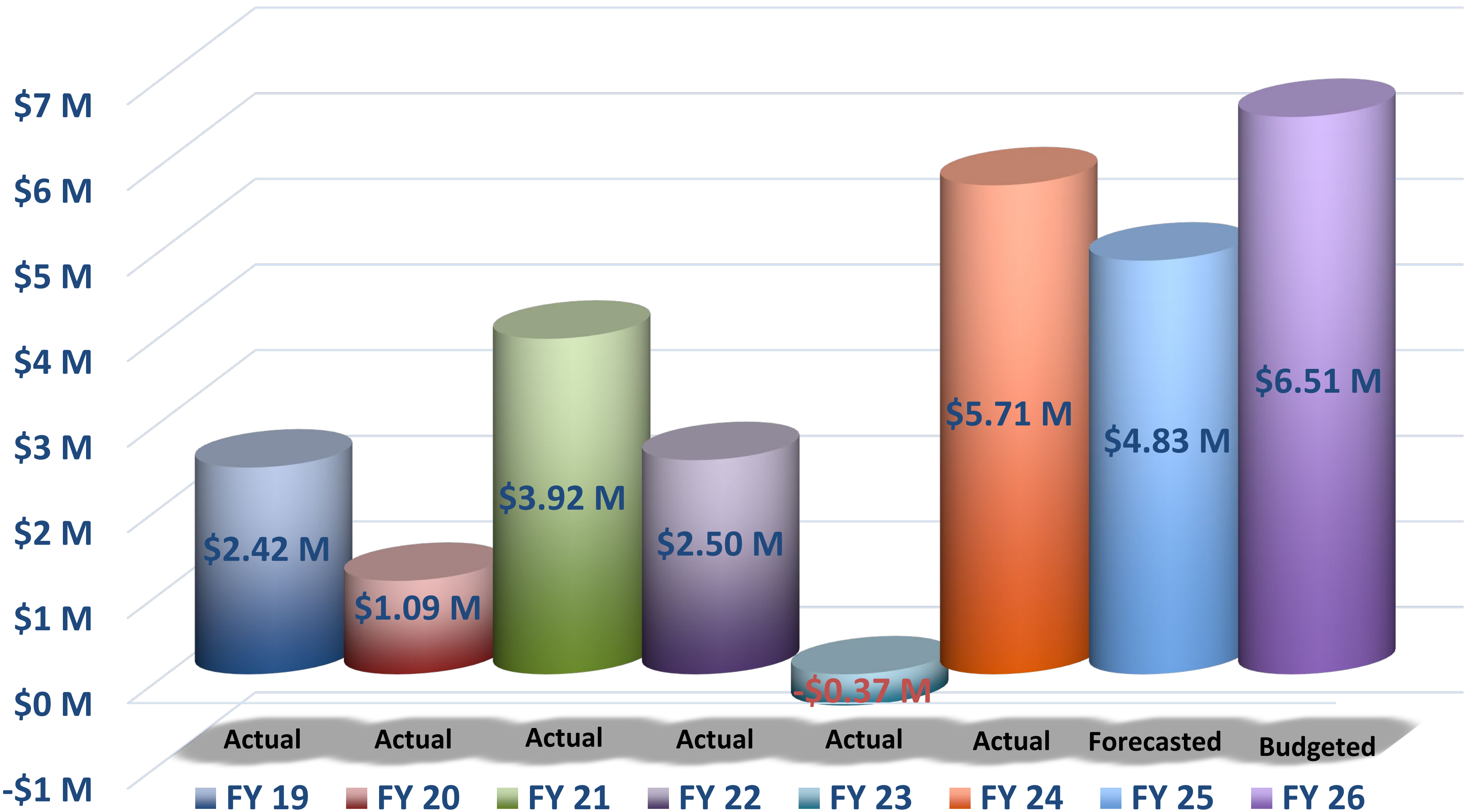
Operating Costs



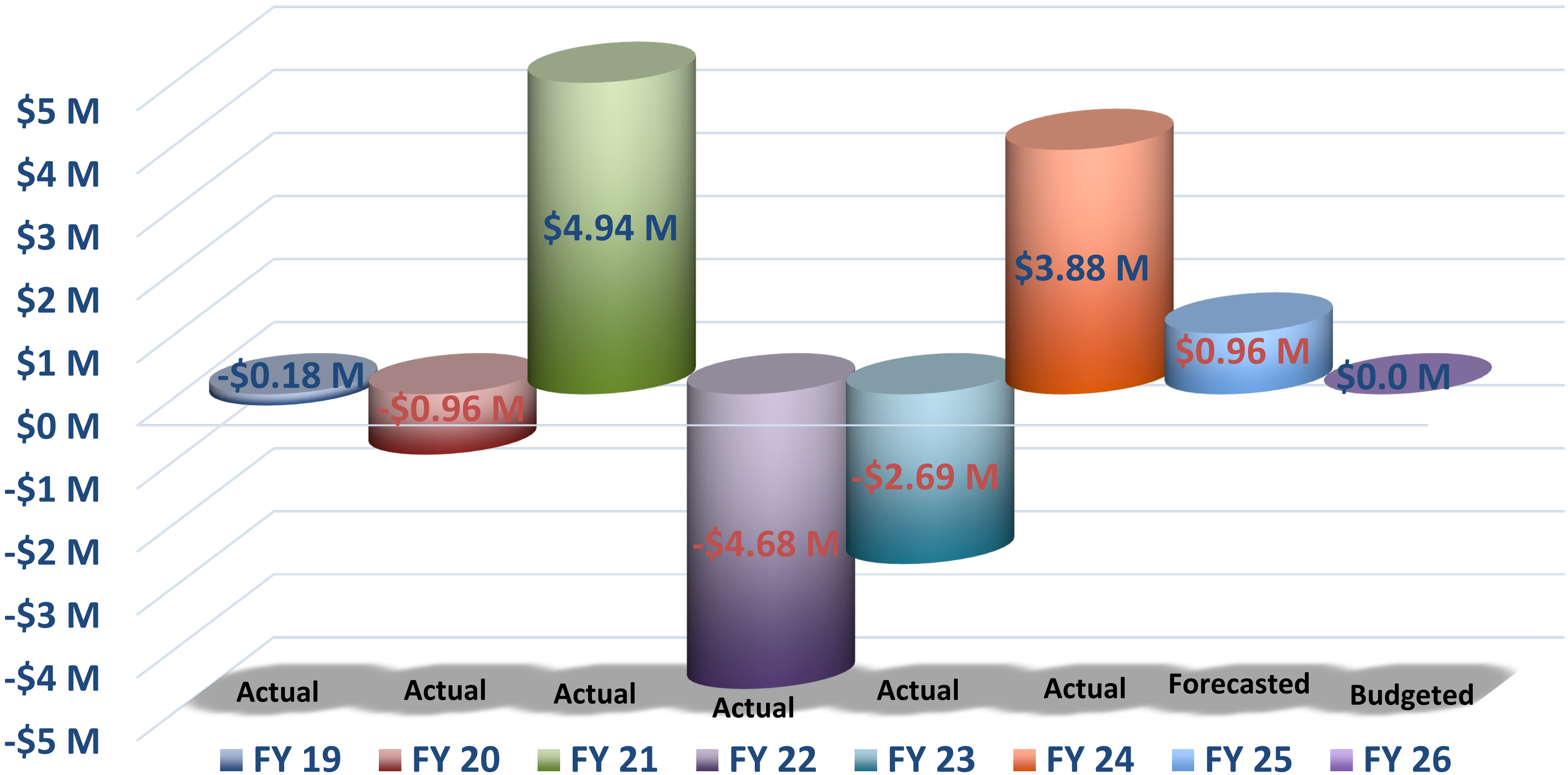
1. FY22 and FY23 actual includes extraordinary bypass costs related to turbine which inflates these years totals
2. Data excludes contingency

Summary of Key Balances
Net Operating Income (before depreciation & non operating)

FY23 Net Operating Income is not comparable due to Turbine issues.

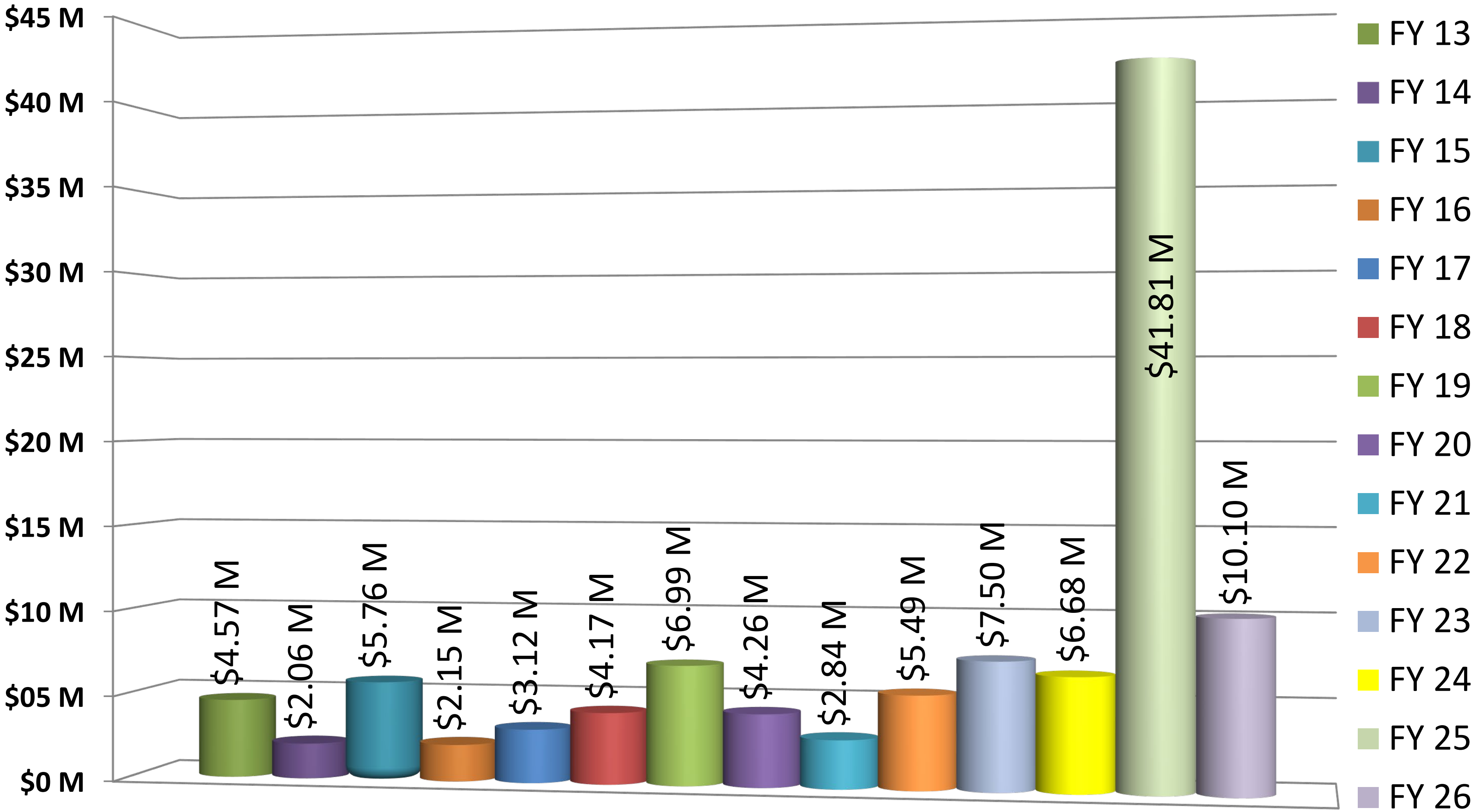


Summary of Key Balances
Net Income (GAAP)



Capital Improvements Project

FY2025 borrowing of $35.5 million
(including proposed borrowing FY2026 totaling $6.4 million)



Capital Projects – FY2026 Budget

(projects recommending for borrowing are in orange)

Waste to Energy	
Economizer Tubes (Boiler A) [1]	$ 2,000,000
Boiler Tile Refractory	800,000
Ash Building Ventilation [1]	550,000
Transformers (T1, T1A)	550,000
ESP Casing Refurbishments	500,000
Feed Chute A Improvements [1]	500,000
Boiler Ram Feeder	400,000
Tipping Hall Loader	330,000
Ash Extractors Rebuild (Boiler B) [1]	300,000
Stack Refurbishments	300,000
Road Sweeper	275,000
Paving Refurbishments	250,000
Corrosion Control Program	175,000
Energy Protection System Engineering	150,000
Lime Slaker Replacement	150,000
Boiler Drain Tank Repair	125,000
Blowdown Heat Recovery Tank	100,000
Flue Gas Ducts Refurbishments	100,000
Others	305,000
Subtotal WTE	$6,460,000

Recycle - 62 Blueberry	
Fire Suppression System (90 Blueberry) [2]	500,000
Repurposing Planning	100,000
Others	190,000
Subtotal Recycle - 90 Blueberry	$790,000
Landfill	
Bulldozer	500,000
Stability Evaluation of Phase 1	190,000
Design/Permit Landfill 2 South & Valley Fill	100,000
Others	36,000
Subtotal Landfill	$826,000
Transportation - Ash	
Roll-Off Hook lift Truck	265,000
Others	33,500
Subtotal Transportation - Ash	$298,500
Administration	
Accounting General Ledger Replacement	100,000
Networking Upgrades	140,500
Computer Upgrades	86,150
Subtotal Administration	$326,650
Total All Areas	$10,101,150

Conclusions

- Forecasted FY2025 Net Income (Budgetary) is expected to be a $4.31M ($1.86M or 76% favorable to budget) and a Net Income (GAAP) of $964K ($2.08M or 187% favorable to budget).
  - Electrical revenue - $609k or 14% favorable to budget, due to: increased generation and 40% increase in PPA
  - Commercial MSW tipping fee - $392k or 4% favorable to budget, due to: increased rates
  - Overall expenses (excluding WTE Bypass) - $854k or 3.5% favorable to budget
  - WTE Bypass - $673k or 85% unfavorable to budget, due to:
    - Moving of waste out MSW bypass bunker, and tonnage delivery above processing capabilities
- FY2026 proposed budgeted Net Operating Income is up $2.5M over the FY2025 budget with an increase of $5.2M in revenue and an increase of $2.7M in expenses.
  - Increase revenue – 18% increase
    - Increase owner and contract MSW revenue of $2.3M, due to the potential increase in tonnages
    - Increase electrical revenue of $1.8M, due to: 40% increase in rates under the new PPA
    - Increase recycling tipping fees of $263K, due to: the potential increase in tonnages
  - Increase expense – 11% increase
    - Increase WTE bypass expense of $1.8M, due to: the potential increase in tonnages
    - Increase payroll & benefits of $246K
    - Increase WTE chemical expense of $141K
- FY2026 capital expenditures will total $10.1 million.
- The proposed FY2026 budget continues our growth initiatives and maintains our commitment to our mission.