

MUNICIPAL REVIEW COMMITTEE, INC.
MRC OPERATING BUDGET STABILIZATION FUND POLICY

Version 2.0 dated October 23, 2013

1.0 Context. In December 2003, the Municipal Review Committee, Inc. (the MRC), acting on behalf of the Equity Charter Municipalities (ECMs), received \$366,881.22 from the entity that was then the general partner of the Penobscot Energy Recovery Company, L.P. (PERC), namely, Energy National, Inc. (ENI). The money so received was the ECM's share of the amount that ENI had determined needed to be distributed to limited partners in PERC in order for ENI's parent company, NRG Energy, Inc, to remain in compliance with certain limitations regarding the share of benefits it could receive from PERC under the regulations of the Federal Energy Regulatory Commission.

On January 28, 2004, the MRC Board of Directors voted to account for the \$366,881.22 separately from other funds managed by the MRC until such time as a decision was made on how such funds would be utilized, and charged the MRC Finance Committee to investigate the matter.

On July 28, 2004, on the recommendation of the MRC Finance Committee, the MRC Board of Directors voted to utilize the \$366,881.22 to create the MRC Operating Budget Stabilization Fund. The MRC Board also voted, in the context of amendment to the 2004 MRC Operating Budget, to approve an initial transfer of \$9,984 to the MRC operating account from the balance of \$366,881.22.

On January 26, 2005, the MRC Board of Directors voted to transfer \$265,095.22 released from the reserve accounts associated with the June 26, 1998 PERC refinancing, to the Operating Budget Stabilization Fund.

On October 26, 2011, the MRC Board of Directors voted to transfer \$2,000,000 released from reserve accounts associated with the June 26, 1998 PERC refinancing, to the Operating Budget Stabilization Fund.

2.0 Purpose. The MRC Operating Budget Stabilization Fund shall be used for the following purposes:

- As a source of funds to provide revenues for the annual MRC Operating Budget to assist in stabilizing the annual rate of dues assessment for as long as possible.
- As a source of funds for the MRC to address contingencies within its applicable jurisdiction that might have an adverse impact on the Charter Municipalities, presumably in emergency or other unforeseen circumstances, for which adequate funds are not available in the MRC Operating Budget as previously approved by the MRC Board of Directors.

- As a source of funds to plan for and position the Charter Municipalities to implement methods and facilities for managing municipal solid waste after the termination of the Charter Municipality Waste Disposal Agreements scheduled to expire on March 31, 2018.
- 3.0 Authorizations.** The funds in the MRC Operating Budget Stabilization Fund shall be invested under the direction and per the management and advice of an Investment Advisor in accordance with the investment guidelines set forth in the MRC Investment Policy. The MRC Finance Committee shall appoint and oversee the activities of the Investment Advisor.
- 4.0 Allocations.** The original \$366,881.22 shall be allocated among the Charter Municipalities on the same basis as Net Cash Flow (that is, pro rata on the basis of ownership level in PERC by each ECM as of the date of receipt of each component amount of such \$366,881.22) as set forth in the Exhibit #4 to the memorandum to ENI from Gary Stacey, PERC, dated November 24, 2003. Deposits into and withdrawals from the MRC Operating Budget Stabilization Fund shall be allocated among the Charter Municipalities pro rata on the basis of the balances prior to such deposit or withdrawal. Funds remaining in the MRC Operating Budget Stabilization Fund as of March 31, 2018, shall be distributed to Charter Municipalities on the basis of the most recent allocation of the balance.
- 5.0 Deposits.** Deposits into the MRC Operating Budget Stabilization Fund shall be made at the direction of the MRC Board of Directors from sources that may include, but not be limited to, the following:
- Free cash available in the MRC Operating Fund at the end of an operating year in which (i) actual revenues net of actual expenses for that year have exceeded (ii) budgeted revenues net of budgeted expenses for that year.
 - Extraordinary or unforeseen payments to the MRC.
 - To the extent permitted by the MRC By-Laws, the Waste Disposal Agreements, and other applicable agreements, payments of or releases of funds to the Charter Municipalities or the Equity Charter Municipalities.
- 6.0 Withdrawals.** Withdrawals from the MRC Operating Budget Stabilization Fund shall be limited to the following:
- For the annual Operating Budget Stabilization Fund revenue line in the Annual MRC Operating Budget..
 - To address contingencies, or to plan for and position the Charter Municipalities to consider consent to implementation of methods and facilities for managing municipal solid waste after the termination of the Charter Municipality Waste Disposal Agreements scheduled to expire on March 31, 2018. Amounts authorized for withdrawal shall be determined by a prior authorizing vote of at least seventy-five percent of those members of the MRC

Board of Directors present and voting, but not less than six voting in the affirmative (a Supermajority), at a noticed meeting of the MRC Board of Directors at which a quorum is present.

All funds so withdrawn shall be transferred to the MRC Operating Account. It is acknowledged that such withdrawals shall be for purposes that benefit all Charter Municipalities and not only the Equity Charter Municipalities.

7.0 Amendment. This policy may be amended by a Supermajority of the MRC Board of Directors at a noticed meeting at which a quorum is present.

Approved by vote of the Board of Directors at the meeting on October 27, 2004.