

MUNICIPAL REVIEW COMMITTEE, INC.
BOARD OF DIRECTORS

A quarterly meeting of the Board of Directors of Municipal Review Committee, Inc. was held on Wednesday, July 24, 2019 at 10:00 a.m. at Machias Savings Bank, 581 Wilson Street, Brewer, Maine. In attendance were the following:

Directors:

Sophie Wilson, Town of Orono
Catherine Conlow, City of Bangor
Tony Smith, Town of Mount Desert
Kevin Howell, Town of Carmel
Ralph Saucier, Town of Millinocket
Irene Belanger, Town of China
Dana Wrigley, Sr., Town of Oakland
Robert Butler, Town of Waldoboro

Staff:

Michael Carroll, MRC Executive Director

Consultants:

George Aronson, CRMC
Daniel G. McKay, Eaton Peabody
Jon Pottle, Eaton Peabody
Jessamine Pottle, CES, Inc.

Guests:

Shelby Wright, Fiberight
David Eric Johns, MRC Interim Executive Director

Jennifer Baroletti kept the minutes of the meeting and in President Karen Fussell's absence, Vice President Tony Smith presided.

Vice President Smith convened the meeting at 10:04 a.m.

APPROVAL OF AGENDA

Vice President Smith noted that the Waste Flow Committee Update will be provided in Executive Session, and asked for a motion to accept the agenda as published with that understanding. Upon motion duly made and seconded it was unanimously:

VOTED: That the agenda is hereby accepted as published.

CONSIDERATION OF MINUTES OF JUNE 26, 2019 SPECIAL MEETING OF THE MRC BOARD OF DIRECTORS

The Board considered approval of the minutes of the June 26, 2019 special meeting of the Board of Directors. There being no changes to the draft minutes as presented, upon motion made and duly seconded, it was unanimously:

VOTED: That the minutes of the June 26, 2019 special meeting of the Board of Directors hereby are approved in the form presented to the meeting.

FINANCE COMMITTEE REPORT INCLUDING: CONSIDERATION OF FINANCIAL STATEMENTS AND BILLS PAYABLE, ACQUISITION OF PEOPLE'S UNITED BANK WEALTH MANAGEMENT ACCOUNTS, NEW DRAFT INVESTMENT POLICY, CHANGE IN THE MRC FISCAL YEAR, AND STATUS OF AUDIT

Sophie Wilson reported on the Finance Committee's discussion of bills and cash balances. Ms. Wilson presented operating bills payable in the amount of \$51,573.22, reporting no expenses outside of the usual course. She noted that contracted management services of Commonwealth Resource Management Corporation will be over budget as expected, and that she will come back to the board with budget adjustments. The Finance Committee recommends transferring \$90,000 from the Operating Budget Stabilization Fund to the Operating Account in order to fund payroll and operating expenses. After a brief discussion, and upon motion duly made and seconded, it was unanimously:

VOTED: That the operating budget bills payable of \$51,575.22, as presented to the Board at this meeting, hereby are approved for payment.

A motion was duly made and seconded to approve the transfer of funds. There being no further discussion, it was unanimously:

VOTED: That the amount of \$90,000 be transferred from the Operating Budget Stabilization Fund to the Operating Account to fund operating expenses.

Financial statements will be sent out to board members. Ms. Wilson reviewed the recent communication received from People's United Bank regarding its sale of certain assets to Bar Harbor Bank & Trust ("BHB&T"), such assets to include its Bangor area wealth management portfolio, which assignment requires the MRC's consent. Ms. Wilson recommended that the MRC provide its consent to the assignment to BHB&T, but suggested that the MRC consider issuing a request for proposal or request for quote for financial services. There being no further discussion, upon motion duly made and seconded, it was unanimously:

VOTED: That the MRC hereby consents to the assignment of its accounts held at People's United Bank to Bar Harbor Bank & Trust, and in connection therewith, each of the President and Treasurer of the MRC hereby is authorized, acting singly, to execute and deliver a consent on behalf of the MRC in such form as she may approve, and such additional documents as may be reasonably required to effectuate the intent of this resolution, her signature thereon to constitute conclusive evidence of such approval.

VOTED: That the Executive Director work with the Treasurer to prepare a request for proposals for financial services on behalf of the MRC to be presented to the board at a future meeting.

George Aronson reviewed the maturity schedule of various treasury bills in which moneys in the Cash Collateral Account have been invested, explaining that those bills mature quarterly, at which time the principal amounts are reinvested in a new treasury bill in order to meet the requirements of the agreements requiring maintenance of the Cash Collateral Account, and the earnings are used to support operations. Given that the first maturity date is August 2019, Mr. Aronson recommended that the MRC board wait to finalize proposed revisions to the

investment policy until we have completed this process at least once and, in the meantime, to transfer earnings to the Operating Account to support operations. The board agreed, and there being no further discussion, upon motion duly made and seconded, it was unanimously:

VOTED: That the Treasurer of the MRC hereby is authorized, acting singly, to transfer earnings from investments in the Cash Collateral Account and the Tip Fee Stabilization Fund to the Operating Account to be used for operations.

George Aronson next reviewed the recent history of changes to the MRC's audit period, which has been in flux during the transition to the new Coastal waste processing facility. Prior to 2017 the MRC's financial statements were audited on an annual basis based on its fiscal year which historically has been the calendar year. The audit period for fiscal year 2017 was extended through March 31, 2018 to coincide with the end of the PERC contracts in order to allow auditors to verify calculation of final distributions to departing members. The subsequent audit period was extended through June 30, 2019 in the expectation that the June 30 date would coincide with the final Commercial Operation Date for the Coastal facility as defined in the documents. That date has now been extended, but the audit will nonetheless proceed covering the period from April 1, 2018 through June 30, 2019. Once that audit is complete, the Board will need to determine the audit period for the next audit. One option would be to change the MRC's fiscal year to begin on July 1, thereby coinciding with the fiscal years of many of its members. Another option would be to leave the fiscal year as the calendar year and extend the next audit period through calendar year 2020. Mr. Aronson noted that, although the MRC is required to provide audited financial statements to bondholders within a defined time period following their completion, no particular audit period is mandated and, accordingly, the MRC does not need to make a decision on its fiscal year immediately, but the matter should be considered at a future meeting.

EXECUTIVE DIRECTOR REPORT

Executive Director Mike Carroll thanked the board for the opportunity to serve and Eric Johns for his assistance in assuring a smooth transition. Mr. Carroll has hit the ground running and over the last few weeks has met with each of the MRC's legal and engineering teams. He reported that he is working on site inspection and that the road sign for the Coastal facility should be erected soon. He is still working through files and has prepared a schedule of reoccurring regular meetings with the officers of the MRC and with Jessie Pottle. He has made some minor changes to the website, which include updating photos to show construction progress as well as promoting Coastal's brand. The MRC is registered for the upcoming Maine Municipal Association Conference and Mr. Carroll has been working with Jessie Pottle to prepare the MRC's booth.

REPORT ON BRIDGE TRANSPORTATION COSTS

Mr. Carroll reported on bridge transportation costs, noting that the transportation reimbursement was just over \$26,000 in June, down from \$34,000 in the previous month. In response to a question, Mr. Carroll reported that he is currently working out of a conference room at Brewer City Hall but is actively researching opportunities for a new office space and hopes to have something to report to the board at the August meeting. Dan McKay reminded the board of the notice requirements to various parties under the Joinder Agreements and bond documents regarding address changes.

TECHNICAL ADVISOR REPORT INCLUDING: CHARTER MUNICIPALITY ASSET MANAGEMENT REPORT – CUSTODY ACCOUNT, TIP FEE & OPERATING BUDGET STABILIZATION FUNDS, CASH COLLATERAL AND SWEEP ACCOUNTS, SECOND QUARTER JOINING MEMBER CASH DISTRIBUTIONS

George Aronson reviewed the Charter Municipality Asset Management reporting, noting three recommendations:

1. To distribute \$104,629.37 to designated Joining Members to reduce their effective net disposal costs;
2. To make payments from the Custody Account of \$47,666.59 directly to affected Joining Members to reimburse budgeted fee collections lost as a result of interim transportation arrangements; and
3. To transfer \$200,000 from the Tip Fee Stabilization Fund to the Custody Account to fund these distribution payments and other forthcoming payments for incremental transportation.

As of July 1st there was \$148,164.76 in the Custody Account, \$8,447,962.56 in the Tip Fee Stabilization Fund, \$95,180.94 in the Operating Budget Stabilization Account, and \$3,046,610.57 in the Cash Collateral Agency Account. Mr. Aronson explained that distributions have been paid out of the Custody Account bringing the balance down over time, which is the basis of his recommendation to transfer \$200,000 from the Tip Fee Stabilization Fund to the Custody Account to fund the distribution payments.

Mr. Aronson reported a current book value of the Coastal facility site of \$5,566,257, which is subject to adjustment based on the auditor's review. A general discussion ensued regarding reserve funds and Mr. Aronson reviewed the various reserve requirements, specifically noting that the MRC has reserved approximately \$2.8 million in excess of aggregate requirements.

There being no further discussion, upon motion made and duly seconded, it was unanimously:

VOTED: That (i) the MRC hereby is authorized and directed to distribute the amount of \$104,629.37 ratably to designated Joining Members to reduce their effective net disposal costs; make payments from the Custody Account in the total amount of \$47,666.59 directly to affected Joining Members to reimburse

budgeted fee collections lost as a result of interim transportation arrangements; and to transfer \$200,000 from the Tip Fee Stabilization Fund to the Custody Account to fund these distribution payments and other forthcoming payments for incremental interim transportation costs; and (ii) the President hereby is authorized to take such action, or cause such action to be taken, as may be necessary or appropriate to effectuate such transfers and payments.

**FIBERIGHT/COASTAL FACILITY START-UP PROGRESS REPORT AND
SCHEDULE FOR PERFORMANCE TESTING AND COMMERCIAL OPERATION
DATE**

Craig Stuart-Paul reported that some MRC towns have not yet paid their tip fees, and as a result accounts receivables over 30 days is approximately \$100,000. Mr. Stuart Paul asked for the MRC's assistance in encouraging its members to remit payment within 30 days as required by the contract. After discussion, it was determined that Mike Carroll will work with Shelby Wright to resolve these collection issues.

Mr. Stuart-Paul reported that the facility is currently processing approximately 45 tons of waste per hour, and can separate materials in the waste stream. Separated recyclables have met specifications for the market, and all loads to date have gone to market and been deemed acceptable. Coastal recently received a report from consultants at UMaine which indicates that the pulp being produced at the Coastal facility compares favorably to pulp currently used in the manufacture of liner board and cardboard, and there is less than 5% contamination before screening. There is one screen in the MRF where plastic bags continue to collect. There is a workaround in place until the permanent solution is implemented in September, and the workaround will hopefully allow Coastal to ramp up testing. Coastal intends to bring on a second shift beginning August 15th, which will allow processing of 700 tons per day. Mr. Stuart-Paul praised the dedicated crew for their excellent teamwork. Shelby Wright noted that Coastal is able to automatically remove k-cups from the waste stream and that she has been in touch with Keurig regarding recycling opportunities.

Sophie Wilson expressed concerns about the consistency of communications from MRC and Coastal and a general discussion ensued. Mike Carroll noted that Coastal's communications to haulers when calling for tonnage may not be translating to communities, and that this information needs to be effectively communicated to town officials to be shared with their respective communities. After discussion, it was agreed that Mike Carroll and Shelby Wright will coordinate their communication efforts to deliver a consistent message from the MRC and Coastal. Kevin Howell noted that loads from communities that have determined to discontinue standalone recycling programs and instead to comingle waste being delivered to Coastal should be prioritized during the onboarding process. The Board agreed with this approach and instructed Mike Carroll to coordinate efforts with Shelby Wright and Craig Stuart-Paul in this regard.

George Aronson reported on the status and timing of the performance tests which drive the Commercial Operation Date as defined in the contracts. The protocol for the performance test is still in draft form, but will involve going through every product being produced in order to determine qualification for diversion and the basis for that determination. The Coastal plant has shown on the front end that it is able to produce marketable products. The sale of cellulose pulp to end-users in Maine remains a critical missing piece and is being delayed by an unanticipated DEP requirement for beneficial use permits to be obtained by both Coastal and the Maine end-users. . There is no statutory timeline for the permitting process. Coastal is preparing materials for submittal to the DEP to comply with the DEP's requests for additional information and hopes for a resolution next week. Mr. Aronson reviewed potential outcomes and noted that he will keep the Board informed as the process unfolds but wanted to make the Board aware of this emerging situation which may require some resources. The performance test is anticipated for mid-

September once the plant is able to run at full capacity and satisfy diversion requirements. Mr. Aronson noted that the goal of passing the performance test is not to simply get our first site lease payment but to ensure the long term viability of the plant for the next generation of waste processing.

LEGISLATIVE SESSION UPDATE

Mike Carroll reported that the Maine Municipal Association (“MMA”) recently sent out a memo regarding the DEP’s request for input on draft legislation regarding creating an extended producer packaging responsibility law for consideration next year. After discussions with George Aronson and Dan Walker, Mr. Carroll responded and noted that the MRC wants to work with both MMA and the DEP to ensure consideration for plants like Coastal which are using emerging technology that may not otherwise be contemplated in the draft legislation.

COMMUNICATIONS COMMITTEE UPDATE

In Karen Fussell’s absence, Jessie Pottle of CES, Inc. delivered the Communications Committee update, noting that the recent MMA article, which the MRC will be sharing through various social medial channels, is a great precursor to the upcoming trade show in Bangor. Mike Carroll recently attended Green Drinks hosted by the City of Bangor as his first event as the new Executive Director of the MRC, which went well and provided a great opportunity for community outreach and education about the Coastal plant and the technology in this region. The extended producers constant contact has gone out to members, and Mr. Carroll will be meeting soon with Dave Burns at the Bureau of Waste Disposal. Ms. Pottle and Mr. Carroll will work together to coordinate more frequent posts on social sites and constant contacts with members.

WASTE FLOW COMMITTEE UPDATE

Tony Smith reported that the Waste Flow Committee update has been tabled for executive session. In response to a question, a general discussion ensued regarding the

difference between acceptable waste and non-processable waste as defined in the agreements. Craig Stuart-Paul reported that currently approximately 2% of the waste stream is considered unacceptable waste, which is low but still needs to be addressed. Shelby Wright noted that the length of the onboarding period has been beneficial as Coastal learns about the composition of the waste stream and performs data collection to drive future efforts.

SCHEDULE UPCOMING MEETING DATES

After discussion, the following meeting dates and times were set:

- Special Board Meeting – August 28, 2019 at 1:00 p.m.
- Special Board Meeting – September 25, 2019 at 1:00 p.m.
- Quarterly Board Meeting – October 23, 2019 at 10:00 a.m. (Finance Committee Meeting at 9:00 a.m.)

The Board took a brief break at 11:48 a.m., and reconvened at 12:01 p.m.

EXECUTIVE SESSION

A motion was made, and duly seconded, at 12:01 p.m. to adjourn the meeting to executive session pursuant to 1 M.R.S.A. §405(6)(E) for the purpose of discussing with legal counsel legal rights and duties. Whereupon, it was unanimously:

VOTED: That the meeting is adjourned to executive session.

At 12:36 p.m., the executive session ended and the regular meeting reconvened.

There being no further business to come before the Board, the meeting adjourned at 12:36 p.m.

Respectively submitted,



Jennifer S. Baroletti

Dated: August 28, 2019