

MINUTES

MUNICIPAL REVIEW COMMITTEE, INC.

BOARD OF DIRECTORS

A meeting of the Board of Directors of Municipal Review Committee, Inc. was held on Wednesday, April 27, 2022 at 10:00 a.m. in a hybrid format with the majority of Board Members attending in person at the Orono Town Office and others via Zoom. In attendance were the following:

Directors:

Sophie Wilson, Town of Orono
Karen Fussell, City of Brewer
Aaron Houtari, City of Bangor
Melissa Doane, Town of Bradley
Steve Lewis, Town of Boothbay

Kevin Howell, Town of Carmel
Robert Butler, Town of Waldoboro
Tony Smith, Town of Mount Desert
Dana Wrigley, Town of Oakland

Staff:

Michael Carroll, MRC Executive Director

Consultants:

George Aronson, CRMC
Jon Pottle, Eaton Peabody

Guests:

Donald Higgins, CPA of HaverLock Estey & Curran

Joelle Ingalls kept the minutes of the meeting and President Fussell presided.

President Fussell convened the meeting at 10:00 a.m.

APPROVAL OF AGENDA

After President Fussell introduced the Board and guests in attendance, the first order of business was approval of the agenda. The agenda was accepted as presented with no changes.

CONSIDERATION OF MINUTES OF SPECIAL MEETINGS OF THE BOARD OF DIRECTORS ON FEBRUARY 14, 2022, FEBRUARY 25, 2022 AND APRIL 14, 2022; AND THE QUARTERLY MEETING JANUARY 26, 2022

The next order of business to come before the Board was approval of the minutes of Special Meetings on February 14, 2022, February 25, 2022 and April 14, 2022; and the Quarterly Meeting January 26, 2022. Upon motion duly made and seconded, it was unanimously:

VOTED: That the minutes of Special Meetings on February 14, 2022, February 25, 2022 and April 14, 2022; and the Quarterly Meeting January 26, 2022, hereby are approved as presented.

PRESENTATION OF 2020 FINANCIAL AUDIT, FROM JULY 1, 2019 TO DECEMBER 31, 2020, BY DONALD HIGGINS, CPA OF HAVERLOCK ESTEY & CURRAN

Donald Higgins, CPA of Haverlock, Estey & Curran presented the independent auditor's report and financial statements, including management's discussion and analysis and notes to the financial statements. The audit includes a clean and unqualified opinion and, in the opinion of the auditor, the financial statements are fairly stated in accordance with generally accepted accounting principles. In response to a question, Mr. Higgins reviewed the accounting procedures used in conducting the audit. Mr. Higgins noted the materiality thresholds, noting that one material adjustment was made to the Joint Venture statements regarding the Hampden Site costs.

Mr. Higgins reviewed the report regarding internal controls, noting the deficiency of MRC's reliance on its auditors to propose certain year-end adjustments and to assist in the

preparation of financial statements, as it has done in prior years. While this is regarded as a material weakness, no change was recommended because a change would not be feasible in view of the MRC's limited staffing. In response to a question, Mr. Higgins reviewed the process to correct the deficiency, if desired. Mr. Higgins recommended that the MRC consider implementing an accrual basis of accounting to record expenses in the period when they are accrued rather than when they are paid. A general discussion ensued regarding the appropriate time to consider making this change. The board thanked Mr. Higgins and George Aronson for their work on the audit, and Sophie Wilson praised the efforts of the MRC's bookkeeper.

A brief discussion ensued regarding the next audit period. Mr. Aronson noted that this question is under discussion by the Finance Committee and a decision has been deferred until after the commercial operation date. The Committee will revisit the topic in November as it reviews the 2020 operating budget. Upon motion duly made and seconded, it was unanimously:

VOTED: That the auditor's report prepared by Haverlock, Estey & Curran hereby is accepted as presented.

EXECUTIVE DIRECTOR AND COMMITTEE REPORTS

Mr. Carroll began his report with an overview of 2022 thus far, noting that second quarter waste processing totaled 18,152 tons compared to 18,251 tons over second quarter last year. Mr. Carroll reports MRC has continued overseeing the plant, and he meets with the Department of Environmental Protection (DEP) weekly. Mr. Carroll and President Fussell met with the DEP Commissioner and Director in February to provide updates and a follow up DEP site visit went well. The Air Permit renewal will be done in May as required.

Mr. Carroll reports that the Special Meeting Executive Session for members was found to be successful and had sixty attendees representing seventy-five members. He further reports that

Bypass Notices have been sent monthly to members and no secondary bypass has occurred since November 8, 2021 as PERC has processed all member waste.

Mr. Carroll provided a second quarter update on Coastal Resource Management and the final sale process. The Bond Holders hired a Receiver on March 12, 2022 to handle the sale of the Plant and an Investment Banker to vet qualified bidders was hired on the same day. Both individuals toured the Plant on March 23rd and closing has been set to occur on or before June 30, 2022. The bidders must qualify in advance of the closing date of June 30th and must plan to operate the Plant in a similar manner. MRC has submitted a Stocking Horse bid of \$1,500,000.00 and a Fundamental Notice was sent to Members regarding this bid.

Mr. Carroll reports MRC has been in regular correspondence with the Investment Banker and has provided historical information as requested. Once Non-Disclosure Agreements (NDAs) are signed, qualified bidders will have access to the data room and documents pertaining to the Plant. Tours are taking place with potential buyers, and preliminary bidder qualifications are due no later than May 16, 2022. MRC and the Receiver will receive and review bidders from May 17th through May 27th and final due diligence and qualification reviews will be completed by June 3, 2022. Cash offers are due by June 13th and the Auction is scheduled to occur on June 14, 2022.

Mr. Carroll introduced Dan Zellingwell, Investment Banker, who provided an update for those in attendance. One hundred three parties were contacted and eighteen NDAs have been signed with an additional five considering NDAs. Fifty-nine parties did not respond and twenty-one declined. At this time there are five highly active bidders. Mr. Zellingwell reported that qualified bidders must meet financial and technical qualifications including proof of financial resources for startup of the Plant, agreement to maintain the current tipping fees

without increase and agreement that the land is not involved in the transaction. He further notes MRF (Materials Recovery Facilities) experience and marketing of commodities experience is also a requirement. A Startup and Operations Plan must be submitted for review by MRC on all bidders and due diligence will be conducted by MRC as well.

Mr. Carroll noted that numerous Special Meetings of the Board are being scheduled for review of the submissions, each to be held from 3p-5p, and will be primarily Executive Session with no action taken. Dates for these meetings will be confirmed in Notices sent to Members.

Mr. Carroll provided an update on Committee action and noted twenty-two constant contacts were sent to Members, two Town Halls were held and the Executive Session for Members was held last quarter. Mr. Carroll also noted the recent passage of two legislative bills, and MRC was the Maine Municipal Association's (MMA) cover story in April and President Fussell was interviewed.

Mr. Carroll and Bob Butler worked together on a \$6,000,000.00 grant for earmark funds to process unexpected discarded tires, wood, embedded metal, mattresses, asphalt, etc. which is due April 8, 2022. Other grant options are being considered, and Senator Collins remains supportive and willing to receive grant applications. President Fussell also noted ARPA funds can be potentially held and awarded if MRC ends up owning the Plant, but applications will need to be completed in advance of the closing.

A general discussion ensued regarding rebranding of MRC and looking toward the future. There were several ideas presented for working groups and subgroups to streamline the process. Mr. Carroll notes the member survey was completed before CRM closed and has been on hold. The survey will be sent and information on Member needs will be gathered as part of the rebranding effort.

ASSET MANAGEMENT REPORT - CUSTODY ACCOUNT, TIP FEE & OPERATING BUDGET STABILIZATION FUNDS, CASH COLLATERAL ACCOUNT, RESERVE FUND UPDATE, FIRST QUARTER JOINING MEMBER CASH DISTRIBUTIONS

George Aronson presented the Asset Management Report and noted the financials presented are as of April 1, 2022. In light of the Audit findings, Mr. Aronson reports some retroactive changes were made. He also notes the value of the Hampden site is not based on an appraisal and is an approximate valuation. Mr. Aronson proposed five recommendations:

1. To distribute \$125,603.45 to Joining Members to reduce their effective net disposal costs;
2. To transfer \$125,000.00 from the Target Value Reserve Fund (held within the Tip Fee Stabilization Fund) to the Development and Distribution Account to fund the distribution referenced in Item 1 above;
3. Transfer \$200,000.00 from the Tip Fee Stabilization Fund to the Contingency Account to be prepared to meet cash flow needs in the upcoming quarter;
4. Transfer \$50,000 to the Operating Account to fund administrative expenses in the next quarter as anticipated in the 2022 MRC Operating Budget; and
5. As part of serving as a stalking horse for the auction sale process, make a deposit of \$150,000 with the Receiver, or their designee, as a down payment, and place an additional \$850,000 in an escrow account. Both amounts would come from the Cash Collateral Account and would be applied to the sale price if the MRC is the ultimate purchaser.

As of April 1, 2022, the Development and Distribution Account (formerly known as the Custody Account) contained a balance of \$26,153.79 held at First National Bank. As of the same date, the balance of the Tip Fee Stabilization Fund was \$3,110,165.30, and the balance of the Contingency Account (formerly the Operating Budget Stabilization Account) balance was \$91,328.85. The Cash Collateral Agency Account now holds a balance of \$1,461,461.24, which is below the minimum balance required.

Mr. Aronson noted that as of the end of the quarter the MRC had a Net Position for the benefit of Joining Members of \$6,006,949.38.

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

VOTED BY ROLL CALL: That (i) the MRC hereby is authorized and directed to distribute the amount of \$125,603.45 ratably to Joining Members to reduce their effective net disposal costs; transfer \$125,000.00 from the Target Value Reserve Fund (held within the Tip Fee Stabilization Fund) to the Development and Distribution Account to fund the distribution in the first recommendation; transfer \$200,000.00 from the Tip Fee Stabilization Fund to the Contingency Account to meet cash flow needs in the upcoming quarter related to payment of disposal fees for bypassed waste from Joining Members in advance of collection of the corresponding tip fee payments; transfer \$50,000 to the Operating Account to fund administrative expenses in the next quarter as anticipated in the 2022 MRC Operating Budget; as part of serving as a stalking horse for the auction sale process, make a deposit of \$150,000 with the Receiver, or their designee, as a down payment, and place an additional \$850,000 in an escrow account; and (ii) the Executive Director and Treasurer hereby are authorized to take such action, or cause such action to be taken, as may be necessary or appropriate to effectuate such transfers and payments.

**TREASURER'S REPORT INCLUDING CONSIDERATION OF
FINANCIAL STATEMENTS, CURRENT BILLS PAYABLE & FIRST QUARTER
BUDGET RECONCILIATION**

Sophie Wilson presented bills payable totaling \$60,624.02 to the Board for consideration. There being no further discussion, and upon motion duly made and seconded, it was
unanimously:

VOTED BY ROLL CALL: That bills payable of \$60,624.02 as presented to the Board at this meeting hereby are approved for payment.

SCHEDULE OF UPCOMING MEETING DATES

The next quarterly Board Meeting is scheduled for July 27, 2022.

**REVIEW OF EXTENSION LETTER RE: INTEGRAL CAPABILITIES FOR
PERFORMANCE TEST PROTOCOL**

Attorney Pottle reminded the Board that the performance test for the CRM facility included conditions regarding the integral capabilities for the performance test protocol that were

initially required to be addressed by December 31, 2019. This deadline has been extended multiple times and, due to the current bypass scenario, a further extension is recommended. Attorney Pottle proposed an extension to July 29, 2022, with the understanding that the MRC may choose to terminate the extension with notice consistent with the most recent extension. Attorney Pottle noted that conditions regarding the integral capabilities of the performance test protocol related to key agreements with the CRM facility that, if triggered, can result in termination of agreements if not fulfilled.

Upon motion duly made and seconded, it was unanimously:


VOTED BY ROLL CALL: That the Executive Director is hereby authorized to execute and deliver an additional extension letter regarding integral capabilities for the Performance Test Protocol, to be further extended to July 29, 2022 with provisions for MRC to terminate the extension with ten business days' notice.

PUBLIC COMMENT

Two comments were received during the meeting thanking the MRC for reaching out to the Town of Hampden. Sophie Wilson notes she received an email after the Town Hall reminding the Board that the Hampden Plant was operational and functioned well before the shutdown. It was noted that the technology works and the shutdown was due to mismanagement of funds and not failure of the technology.

There being no further business, at 11:29 a.m. a motion was made, duly seconded, and approved to adjourn the meeting.

Respectively submitted,

DocuSigned by:

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Joelle A. Ingalls

Dated: 8/8/2022