

MAINE STATE LEGISLATURE

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January 6, 2014

The Honorable Paul LePage

 Governor of the State of Maine

 State House Station #1

 Augusta, Maine 04330

Subject: Annual Report of MRRRA for the year ending December 31, 2013

Dear Governor LePage:

Pursuant to 5 MRSA §13083-S, I am writing to advise you of the activities of the Midcoast Regional Redevelopment Authority (MRRRA) for the year ending December 31, 2013 at the completion of our fifth year of operation.

The highlights of 2013 include:

- ❑ Since the first Public Benefit Conveyance (PBC) for the airfield on March 28, 2011 and the Economic Development Conveyance (EDC) Purchase and Sale Agreement signed on September 28, 2011, the Navy has transferred 1,659.64 acres of the 2,090 acres that MRRRA is slated to receive. MRRRA has now received 937.43 (94%) of the 992.2 acres of airport land and 722.2 (66%) of the 1,098 acres of the non-airport property.
- ❑ MRRRA managed a fully operational regional airport, with more than 1,200 landing and take offs last year.
- ❑ In March, MRRRA completed the construction of a \$14.65 million build-to-suit manufacturing facility for Mölnlycke Health Care of Gothenburg, Sweden. Mölnlycke Health Care is a world leading manufacturer of single-use surgical and wound care products and services for the professional health care sector with wound care product plants in Finland, the United Kingdom and now Brunswick, Maine.

Pierre Guyot, Chief Executive Officer of Mölnlycke Health Care said:

Increasing production capacity in America is one of the key elements of our strategy for sustainable expansion and reinforces our position as the number one player in the American advanced wound care market. By investing in the conversion of materials produced at our nearby Wiscasset manufacturing facility we are improving the efficiency and security of our supply chain, as well as providing local customers with 100% American made products. Mölnlycke Health Care has a long-term commitment to the State of Maine including plans for further investment in



the vicinity of our two existing factories. As we build our presence in the region I hope to see the creation of a best-in-class R&D and innovation hub, where we can bring together our global expertise with the skills available.

- ❑ Forty one entities now call Brunswick Landing or the Topsham Commerce Park home and those entities are in the process of creating 750 jobs, exceeding the statutory short term economic development goal of replacing the 714 civilian employees at Naval Air Station Brunswick.
- ❑ In 2013, we signed new leases totaling 222,000 square feet of space to the following new companies:
 - ❖ ABL Electric
 - ❖ Brunswick Sewer District
 - ❖ D & D Automotive
 - ❖ Fessenden Geo-Environmental Services/Construction Materials Testing
 - ❖ Midcoast Chamber of Commerce
 - ❖ Mölnlycke Health Care ¹
 - ❖ O'Neal Janitorial
 - ❖ Savilinx ¹
 - ❖ Seachange Group LLC ¹
 - ❖ Tempus Jets ¹
 - ❖ Tri-Star Sheet Metal

This brings leased space total square footage to 329,632.

- ❑ In the spring of 2013, MRRA received subdivision approval for the initial phase of the Brunswick Landing property paving the way for the sale of 44.61 acres and 28 buildings in Brunswick. To date MRRA has sold 290.01 acres of land, 334,303 square feet of real estate (331,803 just this year), and there are now four private sector real estate developers engaged in redevelopment activities at Brunswick Landing. As a result, a number of these buildings are in the process of being leased to, the following entities:
 - ❖ Seeds of Independence
 - ❖ Providence Service Corporation
 - ❖ Wicked Joe Coffee
 - ❖ The Maine Harvest Company ¹
 - ❖ Wild Oats
 - ❖ Midcoast Veterans Center
- ❑ MRRA has awarded over \$25 million dollars in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure since May of 2011.
- ❑ Private investment at Brunswick Landing and Topsham Commerce Park exceeds \$100 million, with another \$30-50 million in the planning stages.
- ❑ Over \$51 million in new tax base has been added to the property tax assessment rolls in the towns of Brunswick and Topsham, with new property tax revenues exceeding \$2 million from the former base properties.

¹ These companies are new to Maine.

- ❑ In July, the Town of Brunswick and the Maine Department of Economic and Community Development approved two Tax Increment Financing Districts at Brunswick Landing. The thirty year TIF development program calls for a revenue share of fifty percent of incremental property tax revenue to invest up to \$12.0 million for various infrastructure and building upgrades, including improvements to nearly nineteen miles of roads, sanitary and stormwater sewer collection and pump station system and electrical and potable water distribution system.
- ❑ U.S. Secretary of Commerce Penny Pritzker and U.S. Secretary of Labor Thomas E. Perez announced on October 22, 2013 the eleven winners of the *Make it in America Challenge*, an Obama Administration initiative to accelerate job creation and encourage business investment in the United States. The programs are designed to encourage U.S. companies to keep, expand or re-shore their manufacturing operations -- and jobs -- in America, and to entice foreign companies to build facilities and make their products here. MRRRA was one of the eleven recipients.

MRRRA in partnership with the Maine Manufacturing Extension Partnership (MMEP) and Coastal Counties Workforce, Inc. (CCWI) was approved for a \$2,425,000 grant from the Economic Development Administration, Department of Labor and National Institute of Standards and Technology to establish and fit-up of the 95,000 square foot *TechPlace*, an Advanced Manufacturing, Science and Technology Business Accelerator on the campus of *Brunswick Landing* in building 250, the former aircraft intermediate maintenance department, provide supply chain assessments and employee training. *TechPlace* will support innovative manufacturing businesses in the sectors of composite and advanced materials, biotechnology, renewable energy, and aviation/aerospace.

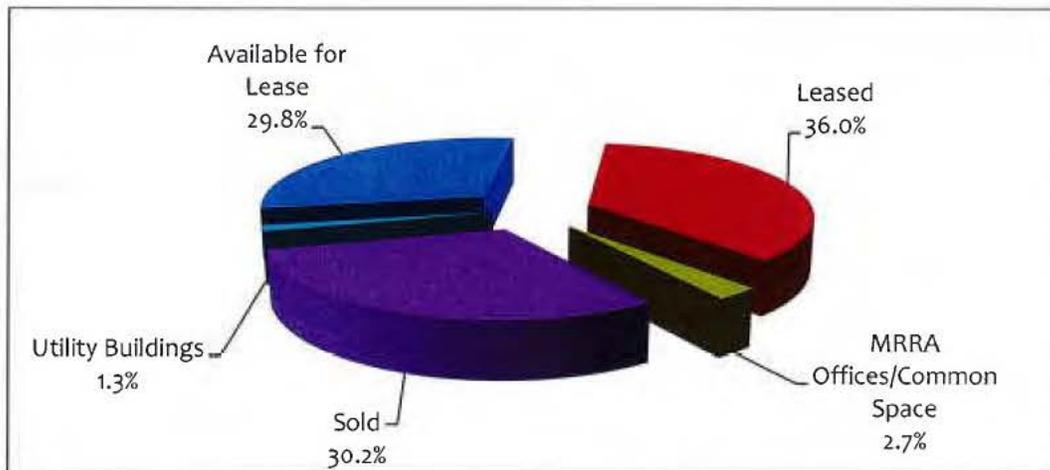


Other partners included: the Town of Brunswick, the Brunswick Development Corporation, the Maine Department of Economic and Community Development, Southern Maine Community College, the University of Maine, the Maine Technology Institute, Mölnlycke Health Care and Kestrel Aircraft. Both the Brunswick Development Corporation and DECD have made financial commitments of \$250,000 each.



- As of December 31, 2013 MRRA has leased, sold or managing the following property:

	Square Footage
Available for Lease	329,632
Leased	399,084
MRRA Offices/Common Space	29,928
Sold	334,303
Utility Buildings	14,728
	1,107,675



The statute requires that the report must address the following issues for the previous year:

A. Description of the Authority's Operations

The year 2013 was another busy, challenging and successful year for MRRA. As a state, we continued to wrestle with an economy that is stagnant and the closure of NAS Brunswick only compounds the challenges facing Maine and the Midcoast region. Despite these challenges, MRRA continues to work hard to enhance the redevelopment of Brunswick Landing and Topsham Commerce Park and to be a catalyst for the State's economic recovery. Our business development efforts continue to focus on quality job creation in several targeted industries: aviation/aeronautics, renewable energy, composites, information technology, biotechnology, and higher education.

The Midcoast Regional Redevelopment Authority reached a number of important milestones in 2013, just nineteen months following the disestablishment ceremony by the United States Navy. This past year's more important accomplishments include:

- The MRRA Board approved a Power Purchase Agreement and a long term land lease for 4.25 acres with Village Green Ventures to construct an anaerobic digester to produce green

energy at Brunswick Landing. Village Green Ventures, LLC, headquartered in Brooklyn, New York will use proven anaerobic gas digester technology to deliver an operating biogas plant capable of delivering up to 1 megawatt of electricity to the Brunswick Landing campus.

- ❑ Last year, the Board approved the establishment of a direct lending revolving loan program capitalized by a portion of the proceeds from property sales. This year, MRRRA worked with Mechanics Savings Bank of Maine to expand the lending program to include working capital and equipment. MRRRA would act as an intermediary lender, relending bank funds to Brunswick Landing businesses.
- ❑ The Navy transferred former Field House (building 211) to the Town of Brunswick through a transfer through the federal Department of Interior in October. The Town moved its entire Parks and Recreation operation from downtown Brunswick to this site.
- ❑ In July MRRRA sold .33 acres of land to Precast Concrete that abutted the company's property at the Topsham Commerce Park. Superior Concrete provides a wide range of concrete products for both residential and commercial construction in mid-coast and southern Maine, principally manholes, catch basins, and utility boxes and more recently retaining wall systems.
- ❑ In May the Board authorized the transfer of 24 acres on the south end of the campus to the Maine National Guard to support the Joint Marine and Army Reserve complex and other State needs.
- ❑ In April MRRRA sold ten buildings that were the former Bachelor Enlisted Quarters to Affordable Midcoast Housing (AMH) and 4.93 acres for \$1,040,096.
- ❑ On April 29, MRRRA sold the former Personnel Support Building (building #24) and the Veterinarian Clinic Building (building # 592) on 2.86 acres to TBW, LLC for \$510,000. These two buildings will house a new restaurant and commercial kitchen for Wild Oats Bakery and Café and the Seeds of Independence. Seeds of Independence is a mentor and volunteer-based nonprofit organization committed to helping at risk youth in Maine reach their full potential as independent, productive members of society. The organization combats juvenile delinquency and positively affects the school dropout rate in our state by operating numerous programs aimed at mentoring at risk youth.
- ❑ The second block of Bachelor Enlisted Quarters (BEQs), 8.87 acres and 12 buildings, was sold to Affordable Midcoast Housing on June 21, 2013 for \$1,561,644.
- ❑ To date, Affordable Mid Coast Housing (AMH) has closed on 71 housing units in the McKeen Street neighborhood. Our revenue sharing agreement with AMH requires that after \$5,000,000 sales have been realized, MRRRA receives five percent of the purchase price of each unit sold. Land sales now total \$9,513,580 and MRRRA has received \$225,679.
- ❑ In March, Steve Levesque and Annette Bussler of the Maine International Trade Center met with several companies in Great Britain and Germany who have expressed interest in expanding their businesses at Brunswick Landing.
- ❑ In August the Federal Aviation Administration announced grants awards for 2013. Approved projects included \$1.34 million for terminal building renovations, \$102,400 to repair the roof of Hangar 5, and \$181,000 for design costs related to renovations and expansion of the former fire station to house snow removal equipment. Over the last three years, the Redevelopment Authority has secured \$8.8 million in grants — including the most recent

funding — to build ten new T-hangars, demolish an old foundation, upgrade airport electrical and lighting systems, make safety improvements, add a new communication system and work on other projects. This announcement was matched by a similar commitment by the Maine Department of Transportation to provide a five percent state match totaling \$81,170.

- ❑ On August 7, 2013, the Office of Economic Adjustment signed a new Grant Agreement with MRRRA for FY 2014 with a federal grant of \$1,472,750.
- ❑ In September MRRRA announced that Tempus Jets of Newport News, Virginia will be relocating its FAA Part 145 repair station and interior completions businesses from Richmond, Virginia to Brunswick Executive Airport (BXM). Initially, the company has leased 34,532 sq. ft. of space in a 166,355-sq-ft hangar. The hangar's size and excellent condition will allow the company eventually to expand its aircraft repair and completions business to include Boeing and Airbus business jets, FAA Part 21 aircraft certification and engineering. Tempus has transferred over \$7 million in tooling, ground support equipment and spare parts to Brunswick from Richmond to support its operation.
- ❑ On October 17, the auditing firm of Runyon Kersteen and Ouellette presented the draft audit of the Financial Statements for the period ending June 30, 2013. In his presentation and letter to the Board of Trustees, Mr. Farrar stated that RKO did not identify any deficiencies in MRRRA's internal control procedures and that MRRRA's financial statements are free from material misstatement and their tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Accounting Standards Board requirements. This was MRRRA's sixth clean audit.
- ❑ Steve Levesque and Marty McMahon attended the National Business Aviation Association's (NBAA) Business Aviation Convention and Exhibition in Las Vegas, Nevada in October to promote Brunswick Executive Airport. NBAA is the leading organization for companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful.
- ❑ In October, Robert Rocheleau of the MRRRA staff attended the Data Center World – Global Conference in Orlando, Florida. This premier international conference for data center and facilities managers is sponsored by the Association for Computer Operations Management. Mr. Rocheleau returned with nineteen leads.
- ❑ On October 2, 3 and 4, Ben Sturtevant of the MRRRA staff attended the JEC-Americas Composites Show and Conference in Boston, Massachusetts exhibiting Brunswick Landing as a center for excellence of composites. JEC is the largest composites industry organization in the world with a network of 250,000 professionals. JEC's mission is to organize exchanges and to facilitate connections among raw material producers, processors, distributors, machine and software manufacturers, institutions, academicians, researchers and users (aeronautics, automotive, marine, land transportation, construction, energy, and sports and leisure).



- ❑ MRRRA showcased *Brunswick Landing* and the *Topsham Commerce Park* at the MaineBiz Momentum Convention in Augusta on October 17. The event is a statewide business-to-business exhibition along with professional development and networking opportunities, and an array of marketing opportunities for MRRRA in the Exhibit Hall.
- ❑ During the last week of October, Steve Levesque participated in a foreign trade mission to Mexico with Maine Governor Paul LePage. The delegation included eight companies, three educational institutions, and three industry associations. The delegation held a total of 64 matchmaking meetings with potential agents, distributors, and partners. The Governor and others delivered a presentation on Maine to the Asociacion de Empresarios Mexicanos – an association of investors, entrepreneurs, and Mexican professionals with fourteen locations throughout Mexico. Steve and Governor LePage traveled to the city of Santiago de Queretaro for meetings with local automobile and aerospace business leaders, as well as a tour of the National Aerospace University of Queretaro (UNAQ) to learn more about its training and workforce development initiatives servicing the growing aerospace cluster and the local Bombardier facility.
- ❑ In mid-October, MRRRA welcomed Managing Director, Alison Semple and her colleague Alison and her colleague Julia Mills of OCO Global to gain a better understanding of the opportunities that Maine offers for investment and cooperative work with international companies. OCO Global is headquartered in Belfast, Maine with offices in London, Paris, and New York. Ms. Semple and Ms. Mills will work from their location in London to develop leads and represent Maine at various industry events and trade shows in the aviation, advanced materials, food processing, life sciences, and renewable energy sectors, as part of the *Invest in Maine Initiative* managed by the Maine International Trade Center.
- ❑ As result of a notice to the Country of Portugal by the United States Defense Department to drastically reduce the operations of the United States Air Force at Lajes Field in Terceira, Azores, the State Department and Defense Department set up meetings with three officials from the Azores and Deputy Director Jeffrey Jordan to discuss the redevelopment planning process and economic development opportunities and strategies.
- ❑ In November, Steve Leveque traveled to Washington, D.C. at the request of the Association of Defense Communities to meet with Congressional members and staffers on redevelopment issues, as well as HUB zone legislation and new market tax credit bills moving through Congress.
- ❑ MRRRA installed security gates on the east side of the airport. These gates have proximity card readers that will allow greater access for airport users and increase security by eliminating combination and key locks on existing gates. This system has also increased airport safety since each card holder must complete airport safety training.
- ❑ Wildlife fencing was installed along the west side of the airport property to reduce the possibility of wildlife impacts on the airport.
- ❑ MRRRA completed the construction of a ten unit T- Hangar for private general aviation aircraft storage at a cost of just under \$1.0 million. Eight of the ten units have been leased.
- ❑ The former Navy Air Operations Building is being renovated to serve as a general aviation air terminal.

- ❑ The airport lighting systems have been upgraded to civilian FAA standards. This project included demolition of old approach lighting systems and installation of new approach lighting systems at the south end of the airport.
- ❑ In December we were notified that the Navy had approved a Finding of Suitability to Lease (FOSL) Hangar 4 and Building 250. The Navy and MRRRA signed a Lease in Furtherance of Conveyance (LIFOC) for Hangar 4 and Building 250.
- ❑ On November 21, MRRRA held its sixth Annual Meeting. Former BRAC PMO Director for the Northeast, David Drozd, presented the keynote address. He spoke about his experiences with the 2005 BRAC round and MRRRA's strong performance record. The Board also re-elected the current slate of officers: Chairman, John Peters; Vice Chair, Sally DelGreco, Treasurer, Rita Armstrong and Secretary, Lois Skillings.
- ❑ On December 10, MRRRA hosted a foreign trade zone training seminar for its tenants and other economic development organizations within the State. Scott Taylor from Miller and Company of Kansas City, Missouri was on hand to present the benefits of the foreign trade zone designation of 394 acres at Brunswick Landing. There were twelve participants.
- ❑ Providence, a provider of home-based behavioral health treatment services to children and families in Maine and education and treatment services to children with Autism Spectrum Disorders, is leasing two buildings owned by Priority Real Estate Group of Topsham.
- ❑ MRRRA is working with CBRE/The Boulos Company of Portland and REMAX Riverside of Topsham, to market the former Ground Support Equipment Building, the former P3 Support Building and Officers Club, among others.
- ❑ On December 19, MRRRA hosted a forum in concert with the Environmental and Energy Technology Council of Maine on the Brunswick Renewable Energy Center (BREC) and TechPlace. The Authority reported on its effort to work with private businesses, non-profit organizations, government entities, and other interested parties to explore possible investments in energy efficiency, conservation, renewable energy, and other alternative energy-related businesses, research and development programs at Brunswick Landing.
- ❑ In December, Executive Director Steve Levesque spent a day with the Board of Trustees of the Loring Commerce Centre at a Board retreat to discuss strategic planning. Steve Levesque and Carl Flora discuss collaborative redevelopment opportunities on an ongoing basis.
- ❑ On December 27, MRRRA closed on the sale of the former Navy Gateway Inn, a 248 room hotel facility on 14.7 acres for just under \$3.4 million to Affordable Midcoast Housing.
- ❑ As of December 31, 2013, the following entities are doing business at Brunswick Landing and Topsham Commerce Park:

Open for Business

- | | |
|-----------------------------------|--|
| ❖ ABL Electric Inc. | ❖ Brunswick Sewer District |
| ❖ Affordable Midcoast Housing | ❖ D & D Automotive |
| ❖ American Bureau of Shipping | ❖ Fessenden Geo-Environmental Services/ Construction Materials Testing |
| ❖ Bowdoin College | ❖ Flight Level Aviation |
| ❖ Brunswick Executive Airport | ❖ Goodwill Industries |
| ❖ Brunswick Naval Aviation Museum | |

- ❖ Great Island Boat Yard
- ❖ JHR Development
- ❖ Kestrel Aircraft Company
- ❖ Maine Army National Guard
- ❖ Maine Coastal Flight
- ❖ Maine Department of Economic and Community Development
- ❖ Maine Technology Institute
- ❖ Maine Tool and Machine
- ❖ Mere Creek Golf Course (Harris Golf)
- ❖ Midcoast Chamber of Commerce
- ❖ Midcoast Regional Redevelopment Authority
- ❖ Midcoast Veterans Center
- ❖ Mölnlycke Health Care
- ❖ New England Tent and Awning
- ❖ Providence Service Corporation of Maine
- ❖ O'Neal Janitorial
- ❖ Oxford Networks
- ❖ Savi Solutions
- ❖ SaviLinx
- ❖ Seachange Group LLC
- ❖ Seeds of Independence
- ❖ Southern Maine Community College
- ❖ Tempus Jets
- ❖ The Maine Harvest Company
- ❖ Town of Brunswick
- ❖ Tri-Star Sheet Metal
- ❖ United States Marine Reserve Center
- ❖ University of Maine College of Engineering
- ❖ Wicked Joe Coffee
- ❖ Wild Oats Bakery and Café

B. An accounting of the Authority's receipts and expenditures, assets and liabilities at the end of its fiscal year

Please find attached an Unaudited Financial Report for the period ending December 31, 2013, including a balance sheet and budget report. Also please find attached a copy of the audited Financial Statements for the period ending June 30, 2013. The audit was conducted by Runyon Kersteen and Ouellette. These documents been presented to office of the State Controller for inclusion in the State financial statements for the period ending June 30, 2013.

It should be noted that MRRA does not receive a state appropriation as part of the General Fund Budget. MRRA's funds come from a combination of funds from the Office of Economic Adjustment within the United States Department of Defense and revenues from leases. Capital improvements projects are funded from a combination of aviation capital improvement funds from Maine DOT, the Federal Aviation Administration and the federal Economic Development Administration within the Department of Commerce.

C. A listing of all property transactions pursuant to Section 13083-K

On February 7, 2011 the Navy and MRRA and signed the airport Public Benefit Conveyance (PBC) Agreement for 992.2 acres, including three large hangars, a number of aviation related support buildings and revenue producing facilities for the airport. The conveyance of title will come over time as properties that are determined to be "clean" through a Finding of Suitability to Transfer (FOST) can be transferred from the Navy. Accordingly, not all the properties will be conveyed at the same time, but in phases as clean-up continues and FOSTs are issued. As of December 31, 2013 MRRA has received a total of 936 acres of airfield property and 31 buildings, only 14 of which will be used by MRRA. Seventeen of the buildings, many of which are small storage sheds or the former fuel farm facility will be demolished. In 2013, only the General Aviation Terminal Building (building 200) and corresponding 2.81 acres was transferred to MRRA as part of a PBC transfer.

MARRA may also enter into a Lease in Furtherance of Conveyance (LIFOC) with the Navy for property that may be used by MARRA or leased to another entity for property which has not yet been cleared environmentally. In December of 2013, MARRA signed a Lease in Furtherance of Conveyance on Hangar 4 and Building 250, the former Aviation Intermediate Maintenance Department.

As a condition of transfer from the Federal Aviation Administration and the Navy, land and buildings within the Airport property cannot be sold.

On September 14, 2011 the Navy signed a *Non-Binding Summary of the Acquisition Terms and Conditions for the Naval Air Station Brunswick, Maine by and between the United States of America and the Midcoast Regional Redevelopment Authority* (i.e. term sheet) for a total of 1,098 acres. This property is being transferred through an Economic Development Conveyance (EDC) which requires annual principal payments to the Navy beginning in 2015 of \$150,000, plus interest of 150 basis points over the U.S. Treasury Composite Rate secured by the property. In addition, MARRA must share annually with the Navy twenty-five percent of gross revenues from the sale or lease or EDC property after the receipt of the first \$7.0 million. The revenue share remains in place until gross revenues reach \$37.4 million. There is no revenue sharing in excess of \$37.4 million and less than \$42.4 million. The Authority is required to pay the United States Government 50.0% of gross real estate proceeds in excess of \$42.4 million until September 29, 2034. Property sales during the last fiscal year exceeded \$7.0 million, requiring a payment of \$57,931.05.

As of December 31, 2013, MARRA has received a total of 73 buildings and 722.19 acres (66%) of the 1,098 acres of the non-airport property through the EDC transfer. Sixteen of the 73 buildings, largely former security buildings, sheds and functionally obsolete buildings are scheduled to be demolished through a grant from the Economic Development Administration. No buildings or land were transferred to MARRA from the Navy during calendar year 2013.

The covenants of the Economic Development Conveyance from the United States Government require all sales and leases of property must be at market rate.

In summary MARRA manages a total of 47 buildings with 773,372 square feet of commercial, industrial and professional office space along with all of the associated utilities serving those buildings, including – streets and sidewalks, street lights, traffic signals, electricity, water, sewer and stormwater utilities.

The subdivision approval by the Town of Brunswick in March of 2013 paved the way for the sale of the property. This year, MARRA sold the following property:

<i>Building Number</i>	<i>Description</i>	<i>Sold To</i>	<i>Date of Sale</i>	<i>Square Footage</i>	<i>Sale Price</i>
730, 731, 732, 733, 734, 735, 736, 739, 746	Bachelor Enlisted Quarters	Affordable Midcoast Housing	April 10,2013	60,939	\$1,040,096
24	Personnel Support Det. Bldg.	TBW, LLC	May 01,2013	10,642	
592	Vet Clinic	TWB, LLC	May 01,2013	1,621	
				<u>12,263</u>	<u>\$479,500</u>
737, 738, 740, 741, 742, 743, 744, 745, 748, 749	Bachelor Enlisted Quarters	Affordable Midcoast Housing	June 21,2013	73,701	\$1,561,644
land only	Land at Topsham Commerce Park	Precast Concrete (1.57 acres)	July 25,2013	0	\$11,000
31	Navy Lodge	Priority Group	July 29,2013	15,054	
583	Bowling Center/Rec Mall	Priority Group	July 29,2013	19,380	
				<u>34,434</u>	<u>\$1,100,000</u>
land only	Property adjacent to cemetery at Brunswick Landing	Roman Catholic Bishop of Portland	October 10,2013	0	\$0
335	Commissary	JR Development	November 15,2013	35,446	\$165,000
750	Navy Gateway Inn	Affordable Midcoast Housing	December 27, 2013	115,000	\$3,397,174
				<u>331,783</u>	<u>\$7,754,414</u>

¹ MRRA also has an outstanding note of \$127,500

D. An accounting of all activities of any special utility district formed under Section 13083-L

In September of 2011 the Navy transferred all utilities on the base, including the potable water distribution system, the sewer collection and pump station assets, stormwater collection system and the electrical distribution system. We have inherited the Navy's utility systems, but without the financial wherewithal of the federal government. We are faced with competing needs to (a) maintain service to the businesses, organizations and residential properties located on our properties and (b) provide for the sufficient funding to maintain and repair the utility system at Brunswick Landing. On October 1, 2011 MRRA began providing electrical distribution services, water and sewer/stormwater services to our tenants and through a Tenancy in Common Agreement with those who own property on the base.

This year also marked MRRA's third year of operation of a regional general aviation airport which is becoming a great asset for the Midcoast region, with over 1,000 takeoffs and landings, just this year. With the inclusion of the Brunswick Executive Airport in the FAA's Military Airport Program (MAP) the federal government in partnership with the State of Maine and MRRA, made substantial investments this year at the airport including

E. A listing of any property acquired by eminent domain under Section 13083-N

No property was acquired by MRRA through its powers of eminent domain.

F. A listing of any bonds issued during the fiscal year under section 13083-I

MRRA did not issue any bonds during 2013.

The voters of Maine, however, approved a state transportation improvement bond which included \$500,000 for investment in aviation facilities at the airport facility in Brunswick. These funds are being used as the local match for FAA Military Airport Program investments at Brunswick Executive Airport. Each dollar of state investment leverages \$38 from the FAA and another \$1 from MRRA.

The State Legislature and the voters of Maine also approved a bond referendum for \$3.25 million to address Americans with Disabilities Act deficiencies at base buildings, utility meter upgrades, and building removals and other public improvements to support base redevelopment and job creation. As of June 30, 2013 all funds had been drawn down by MRRA from the State of Maine.

While not a bond, MRRA through one its affiliates, the Brunswick Landing MHC USA LLC borrowed \$10.3 million from Bangor Savings Bank and a new market tax credit investment of \$4.0 from Wells Fargo Bank two years ago (December 29, 2011) to finance the construction of an 80,000 square foot "build to suit" manufacturing facility for Mölnlycke Healthcare at Brunswick Landing. The building was completed in March.

G. A statement of the Authority's proposed and projected activities for the ensuing year

Please find attached a copy of the FY 2014 Work Plan.

H. Recommendations regarding further actions that may be suitable for achieving the purposes of this article

Finally, the actual realization of new jobs and the timing of such at NASB will be dependent on several factors, including, but not limited to: receipt of successful and timely conveyances from the Navy for the remaining buildings and land, the condition and stability of the national and local economic markets; and the availability of sufficient financial resources for property management, security and operations, infrastructure, property improvements and marketing.

Successful redevelopment of closed bases is a very long-term proposition, which requires substantial public and private resources and patience. A key element in successful base redevelopment efforts is the level of support provided by the local, state and federal governments.

With the leadership and broad support of the Maine Legislature the voters of Maine approved an \$8.0 million bond issue back in 2009 to support the redevelopment effort. This bond included \$3.25 million to support investment in infrastructure replacement/ upgrades and building upgrades to meet civilian reuse and \$4.75 million for Southern Maine Community College to rehab buildings as NAS Brunswick. The bond has been an important key this past year to our ability to bring new businesses to Brunswick Landing.

In addition to the bond issue for capital projects, the State of Maine adopted two additional pieces of legislation that will be key to ensuring the rapid and successful redevelopment of NAS Brunswick. The first is the Brunswick Naval Air Station Job Increment Financing Fund that was established in

2009 to direct a portion of new state income taxes from jobs created at the former NAS Brunswick and Topsham Annex back to MRRRA and Southern Maine Community College. This economic development tool is a performance based tool; meaning that the greater the number of job created and the higher the incomes of those jobs, the greater the revenue to support base redevelopment and expansion of the programming at the Brunswick campus of SMCC. This year, MRRRA received just over \$15,000 from the J-TIF program.

The second new tool, which already has had a significant statewide impact, is the Legislature's decision to exempt all aircraft and repair parts for aircraft for the period of July 1, 2011 through June 30, 2015. The State's previous policy created a "black mark" on the State of Maine by the aviation community as place to avoid as an aviation destination or to conduct business. This decision has had a statewide impact on growth in the aviation sector. This change in the law has also provided the impetus for the Brunswick Executive Airport to lead an initiative, with supportive funding from the Maine Office of Tourism, to develop the Maine Flying Trail to help promote Maine to the flying public as an aviation destination. Without this change in legislation, Tempus Jets would not have relocated its operation from Virginia to Maine.

Finally, MRRRA would encourage the Governor and Legislature to evaluate the state's business assistance program in an effort to keep pace with the economy and the changing needs of businesses, including, but not limited to, workforce development and capital assistance.

I. A description of the MRRRA's progress toward achieving the goals set forth in Section 13083-G:

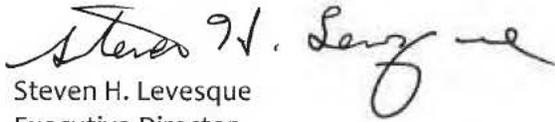
1. **Short-term goal.** Recover civilian job losses in the primary impact community resulting from the base closure;
2. **Intermediate goal.** Recover economic losses and total job losses in the primary impact community resulting from the base closure; and
3. **Long-term goal.** Facilitate the maximum redevelopment of base properties.

Naval Air Station Brunswick employed 714 civilians at its Brunswick and Topsham sites at the time of the base closure announcement. After just 31 months from the official date of closing the base in May of 2011, there are over 350 individuals working at Brunswick Landing; up from 165 last year, with an expectation and commitment to grow that number to upwards of 750 by the end of 2014.



Thank you for your interest and support of this important economic development project for the State of Maine.

Sincerely,



Steven H. Levesque
Executive Director

- cc. John Butera, Governor's Office
- George Gervais, Commissioner, MaineDECD
- David Boulter, Director, Legislative Council
- Joint Standing Committee on Labor, Commerce, Research and Economic Development
- Brunswick Legislative Delegation
- Brunswick Town Council
- Topsham Board of Selectman
- Gary Brown, Brunswick Town Manager
- Cornell Knight, Topsham Town Manager
- MARRA Board of Trustees
- Jeffrey K. Jordan, Deputy Executive Director

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Annual Financial Report

*For the Year Ended
June 30, 2013*



MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2013

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Independent Auditor's Report

Board of Trustees
Midcoast Regional Redevelopment Authority

Report on Financial Statements

We have audited the accompanying combined financial statements of Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midcoast Regional Redevelopment Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

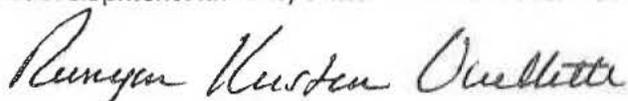
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Midcoast Regional Redevelopment Authority's financial statements. The combining financial statements, budget to actual schedules, and schedule of activities are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining financial statements, budget to actual schedules, and schedule of activities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2013 on our consideration of Midcoast Regional Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midcoast Regional Redevelopment Authority's internal control over financial reporting and compliance.



October 7, 2013
South Portland, Maine

Introduction

This section of the annual financial report is known as Management's Discussion and Analysis. This Management Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the Midcoast Regional Redevelopment Authority (MRRRA) for the period ending June 30, 2013 and is intended to introduce the financial statements and notes to those statements. It is designed to provide an objective and easily readable examination of MRRRA's financial activities based on currently known facts, decisions or conditions. This MD&A should be read in conjunction with MRRRA's financial statements and accompanying notes.

Major Initiatives, Accomplishments and Financial Highlights – July 1, 2012 to June 30, 2013

With the loan closing on the New Markets Tax Credit with Wells Fargo Bank and leveraged loan from CCM Community Development XXII, LLC on December 29, 2011 MRRRA and its subsidiary, Brunswick Landing MHC USA, LLC continued to work with our partners on the construction of a 79,600 square foot build to suit medical device manufacturing facility for Mölnlycke Healthcare, a Swedish firm that manufactures wound care products. The \$15.8 million building was completed this fiscal year with an occupancy permit granted by the Town of Brunswick. The lease with Mölnlycke Healthcare commenced on March 7, 2013.

Since the Public Benefit Conveyance (PBC) for the airfield was approved on March 28, 2011 and the Economic Development Conveyance (EDC) Purchase and Sale Agreement was signed on September 28, 2011, the Navy has transferred 1,660 acres of the 2,090 acres that MRRRA is slated to receive. MRRRA has now received 936 (94%) of the 992.2 acres of airport land and 722.19 (66%) of the 1,098 acres of the non-airport property. This fiscal year, the Navy transferred 102.65 acres through the EDC conveyance process along with twenty-three buildings and 2.81 acres and one building through the Airport PBC.

This fiscal year, MRRRA closed on the sale of the following three properties:

- ❑ On April 10, 2013, MRRRA sold eight of the Bachelor Enlisted Quarters (BEQ's) buildings to Affordable Midcoast Housing (AMH) comprising 4.93 acres and eight buildings for a price of \$1,040,096.
- ❑ On April 30, 2013, MRRRA closed on the sale of the former Personnel Support Building (#24) and the Veterinarian Clinic Building (#592) on 2.86 acres for \$510,000 with TBW, LLC.
- ❑ MRRRA closed on the sale of an additional twelve BEQ units (8.87 acres) with Affordable Midcoast Housing on June 21, 2013 for \$1,561,644.

With the strong financial support of the Federal Aviation Administration and the State of Maine, MRRRA continues to make important investments in the transition of the Brunswick Executive Airport from a military airfield to a general aviation airport. Work underway this fiscal year included the runway remarking to comply with civilian FAA flight safety directives, upgrades to runway and taxiway lighting system to FAA standards which also included the installation of LED energy efficient light fixtures, installation of a wildlife fence on the western border of the airfield, four new pieces of snow removal equipment and the construction of a new ten unit T-Hangar that was completed in August. Over \$3.3 million was spent this fiscal year alone on these projects.

On September 7, 2012, the Foreign Trade Zone Board officially granted MRRRA FTZ Grantee status for 394 acres at Brunswick Landing as Foreign Trade Zone No. 282. The FTZ program helps U.S. based manufacturing operations within a zone defer, reduce or even eliminate customs duties on products admitted into the zone. This will serve as another key economic incentive for manufacturing businesses to locate at Brunswick Landing.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
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On February 26, 2013, the Brunswick Planning Board approved the subdivision plan for Brunswick Landing, making possible the sale of property to private developers to support rapid and successful redevelopment. This first phase includes approximately 401.74 acres which encompasses most of the base cantonment area that is outside of the airport facility and represents most of the areas that have transferred or will transfer over a relatively short time horizon to MRRA from the U.S. Navy.

The MRRA Board approved a land lease with Village Green Ventures, LLC ("VGV"), to construct an anaerobic gas digester to deliver operating biogas capable of generating up to one megawatt of power, plus future thermal load and liquid fertilizer byproduct plant at Brunswick Landing on airport property. The concept fits into the Reuse Master Plan of Brunswick Landing calling for a Renewable Energy Center. Construction will begin in the fall of 2013.

MRRA entered into an agreement with PEMCO & Co., LLC to replace 305 existing street and parking lot lights at Brunswick Landing, many of which are nearing the end of their useful life, with a new system of 270 more efficient LED fixtures. PEMCO has designed and is financing and implementing the new lighting system. PEMCO will handle all maintenance and metering/monitoring over the ten year term of the agreement. Installation of the new lighting under this project is projected to reduce the energy consumed by street and parking lot lighting at Brunswick Landing by over 300,000 kWh per year (68%).

In June, MRRA partnered with Mechanic Savings Bank to establish a revolving line of credit to provide a source of funds for lending to prospective and current tenants of Brunswick Landing in Brunswick, Maine and the Topsham Commerce Park in Topsham, Maine. The lending process will follow the MRRA Growth Fund Administrative Protocol document which was established by MRRA.

This year, we had 17 new tenants locate at Brunswick Landing, SaviLinx (building 250) on airport property, Affordable Midcoast Housing leasing storage space in hangar 5, Village Green Ventures for six acres on the Airport property to construct a building.

Blue Source, who had been renting storage space in hangar 5, and Integrated Marine Services, moved out of Hangar 5 during the fiscal year. Brunswick Sewer District moved out of building 27 at the end of July 2012. Lee Auto moved out of building 29, the Auto Hobby Shop in August of 2012.

In the sixteen months following the official base closure ceremony, MRRA has worked with cooperating stakeholders to accomplish the following:

- MRRA has received over 1,660 acres of property conveyances to date.
- MRRA established a fully operational regional airport.
- Southern Maine Community College (SMCC) has established a vibrant and growing community college campus in partnership with the University of Maine system.
- Thirty-one entities call Brunswick Landing home.
- Currently, 214 employees work at Brunswick Landing with a projection to grow that number to over 500 by the end of 2014.
- Redevelopment has resulted in over \$75 million in private investments.
- MRRA paid \$5.4 million in State and local contracts (exclusive of Mölnlycke, \$15.8 million).
- MRRA and its tenants paid over \$440,000 in local property taxes to the Town of Brunswick this fiscal year. MRRA has become the third largest taxpayer in the Town of Brunswick.

On November 5, 2012, the *Bangor Daily News* published an editorial citing Brunswick Landing as a Maine model for how economic development should be done.



Overview of the Financial Statements

Under Governmental Accounting Standards Board Statement No. 34, the Authority presents its financial statements as a government-wide financial statement and all activities are accounted for within a single proprietary (enterprise) fund.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include the statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the financial statements.

The statement of net position presents the financial position of the Authority on a full accrual basis of accounting with the capital assets recorded at an estimated historical cost as actual cost records were not available from the Navy. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating. A positive change in net position indicates the Authority's financial position is improving, while a negative change may indicate that the financial position is deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
June 30, 2013*

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared by the Deputy Director from the detailed books and records of the Authority, which were audited by independent auditors.

Summary of Organization and Business

The Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, is a municipal corporation created by Maine law, 5 MRSA §13083-G, and charged with the responsibility to acquire and manage property at the former Naval Air Station Brunswick (NAS Brunswick) and the Topsham Annex and to facilitate the rapid redevelopment of properties in order to recover from economic and employment loss as result of base closure. The first meeting of the MRRA Board of Trustees was held on September 27, 2007 in Augusta. The Board elected officers and adopted a set of bylaws for the organization at that time.

The bylaws direct the Board of Trustees to adopt an annual budget, provide for an annual audit, appoint various committees and hire an Executive Director. The Executive Director is the chief executive officer and is responsible for carrying out the policies of the Trustees and overseeing the daily operation of MRRA and appointing staff.

The Board is authorized by statute to create other organizations and entities necessary to implement the redevelopment plans for NAS Brunswick and the Topsham Annex. The Board has authorized the creation of Brunswick Landing Realty Development Corporation, the Brunswick Landing MHC USA LLC, the Brunswick Economic Development Corporation and the Midcoast Charitable Foundation of Maine. The activity and financial transactions of the Brunswick Landing MHC USA LLC and the Midcoast Charitable Foundation of Maine are included and made a part of this report.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
June 30, 2013*

Financial Analysis

The statement of net position presents information on all of MRRA's assets and liabilities, with the difference between the two reported as net position. The table below is a condensed summary of assets, liabilities, and net position for the year ending June 30, 2013.

*Midcoast Regional Redevelopment Authority
Condensed Statement of Net Position
June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 7,218,429	10,516,977	(3,298,548)	-31.4%
Capital assets	136,576,004	127,426,342	9,149,662	7.2%
Total assets	143,794,433	137,943,319	5,851,114	4.2%
Long-term liabilities	17,371,379	17,265,000	106,379	0.6%
Other liabilities	3,483,692	1,314,987	2,168,705	164.9%
Total liabilities	20,855,071	18,579,987	2,275,084	12.2%
Net investment in capital assets	119,204,320	117,641,875	1,562,445	1.3%
Unrestricted	3,735,042	1,721,457	2,013,585	117.0%
Total net position	\$ 122,939,362	119,363,332	3,576,030	3.0%

Since original cost information was not available from the Navy given the age of facilities and unavailability of information from the Federal Government, MRRA had to develop a methodology for determining value for capital assets. In 2006, the Navy provided a schedule of the estimated cost of replacement based on standard engineering estimates prepared by the Naval Facilities Engineering Command (NAVFAC) office. Most of the buildings were valued at the replacement cost in 2006 dollars. For other buildings, MRRA used its best professional judgment on the estimated cost to replace on a per square foot basis in 2006 dollars. A matrix was developed that continued to use the Navy estimates of the cost to replace, but a factor was added to deflate values using the Implicit Price Deflator for Gross National Products for structures prepared by the US Bureau of Economic Analysis (August 2012) back to the year of construction. For the four larger properties not included in the Navy's estimate, MRRA purchased information from Marshall & Swift/Boeckh ("MSB"), the leading worldwide provider of building cost data and estimating technology and then applied the Implicit Price Deflator factor.

Land values for all transferred property were originally estimated at \$40,000 per acre for all land uses based on the twenty year Operations Plan prepared by Matrix Design Group of Denver, Colorado. Given the historic rate of commercial and industrial development in the greater Brunswick region at 70,000 to 100,000 square feet per year, the economy at the time of transfer and the significant volume of property being transferred to MRRA over a relatively short period of time, MRRA has applied a discount of thirty percent on the per acre value of property (now stated at \$28,000 per acre) for all property.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
June 30, 2013*

As properties have begun to be offered to the marketplace and been sold, MRRA has learned more and more about the value of former military facilities in the civilian marketplace. MRRA has also had the benefit of having funded and received independent market appraisals on buildings that have been sold. From these studies, we have learned more about the current market value of industrial, commercial and professional office facilities in the region. We have come to learn that MRRA's current capital asset values of land and buildings which were in part a function of the Navy's estimated cost to replace appears to have overstated the value of our capital assets acquired from the Navy. Moreover, the lack of maintenance and repair of these buildings by the Navy has contributed to the impaired value of these assets and the single purpose nature of many Navy buildings. The Finance Committee has established a work plan for FY 2014 to conduct a revaluation of all property and buildings assets and to appropriately restate capital asset values in time for the FY 2014 audit. Further, as properties are transferred during the course this year from the Navy, we will be utilizing market based information to inform the establishment of property value.

This fiscal year, the Navy transferred 2.81 acres and one building, the General Aviation Terminal Building (building 200) through the Airport PBC. All of these assets were transferred net of debt.

This fiscal year, the Navy transferred 102.65 acres through the EDC conveyance process along with twenty-three buildings. The larger buildings transferred included the remaining ten Bachelor Enlisted Quarter buildings of just over 68,000 square feet, the Navy Exchange Service Station, the Truck Wash Building, the Fire Prevention/Navy NCIS building and all of structures at the Topsham Annex site (eight buildings). These buildings were transferred under a September 30, 2011 Purchase and Sale Agreement for an Economic Development Conveyance (EDC) to ultimately transfer 1,098 acres and nearly 200 buildings and structures to MRRA as properties are cleared environmentally and found to be suitable for transfer. The Purchase and Sale Agreement included a \$25,000 good faith deposit, a \$3.0 million ten year note that begins to amortize on October 1, 2014 with a balloon payment in 2023 of \$1,650,000; provided that all property is transferred by October 1, 2014. Otherwise, the note will be apportioned to the amount of land transferred.

In 2011, the Navy had transferred the entire electrical distribution system, sanitary and stormwater collection system, and potable water system at Brunswick Landing and Topsham Commerce Park to MRRA.

As mentioned earlier, MRRA also sold property this fiscal year. Through three transactions, MRRA sold a total of 16.66 acres, twenty-two buildings for \$3,111,740.

Overall, MRRA increased its net capital assets by \$9.15 million.

On December 29, 2011, the Midcoast Regional Redevelopment Authority and the Brunswick Landing MHC USA, LLC partnered in a \$14.265 million financing package to construct a 79,600 square foot medical device manufacturing facility for Mölnlycke Healthcare USA, LLC. Construction was completed during this period and an occupancy permit was granted by the Town of Brunswick. Liabilities for this project at year end included \$10,319,583 and \$3,945,417 notes from CCM Community Development XXII, LLC. Mölnlycke Healthcare USA, LLC provided contributed capital of \$262,001 for upgrades to the building that were not part of the original scope of work. The contribution of donated design, engineering and construction management services totaling \$928,736 by Mölnlycke Healthcare was recognized in capitalizing the building on the capital asset schedule.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
June 30, 2013*

The Combined Statement of Revenues, Expenses and Changes in Net Position presents information on MRRRA's operating activity. The table below is a condensed summary of the revenue, expenses and changes in net position for the period ending June 30, 2013.

*Condensed Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2013 and the Six Months Ended June 30, 2012*

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
Operating revenues	\$ 4,116,218	2,118,258	1,997,960	94.3%
Operating expenses	10,856,273	4,769,350	6,086,923	127.6%
Operating Loss	(6,740,055)	(2,651,092)	(4,088,963)	154.2%
Nonoperating revenues	5,277,387	1,488,301	3,789,086	254.6%
Nonoperating expenses	8,507,813	5,031,175	3,476,638	69.1%
Nonoperating Loss	(3,230,426)	(3,542,874)	312,448	-8.8%
Loss before contributed capital	(9,970,481)	(6,193,966)	(3,776,515)	-61.0%
Contributed capital	12,925,006	53,501,528	(40,576,522)	-75.8%
Change in Net Position	\$ 2,954,525	47,307,562	(44,353,037)	-93.8%

This report demonstrates a significant increase in the operating expenses of MRRRA as it begins to receive property from the Navy and begins active operations of the Brunswick Executive Airport, providing utility services to tenants and other property owners and cost associated with providing maintenance and repair to facilities, infrastructure and grounds. This statement also records a non-cash expense of \$3,783,202 for depreciation as an Operating Expense (see page 12) for the assets that MRRRA held this year. If the unfunded depreciation expense were removed, the Loss before Contributed Capital would be \$6,187,279. At the end of the year, total net position was \$122.9 million.

*Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
June 30, 2013*

**Condensed Schedule of Operating Expenses – Budget to Actual
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
Personnel services	\$ 1,028,378	1,098,187	(69,809)	-6.4%
Employee benefits	342,209	337,194	5,015	1.5%
Supplies	294,696	356,335	(61,639)	-17.3%
Professional services	685,735	701,008	(15,273)	-2.2%
Property services	2,508,512	2,255,058	253,454	11.2%
Other purchased services	262,785	339,210	(76,425)	-22.5%
Capital outlay	5,200	9,005	(3,805)	-42.3%
Debt service	6,514	6,900	(386)	-5.6%
Transfers to sinking fund	150,777	-	150,777	
Total operating expenses	\$ 5,284,806	5,102,897	181,909	3.6%

Other Financial Information

There are no outstanding judgments or litigation against Midcoast Regional Redevelopment Authority.

This financial report is designed to provide a general overview of MRRA's finance and to demonstrate MRRA's accountability for the grants it receives. If you have questions about this report or need additional financial information, contact Jeffrey K. Jordan, Deputy Director, Suite 1, 2 Pegasus Street, Brunswick, Maine 04011. Thank you.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Net Position
June 30, 2013

	2013
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,099,370
Receivables:	
Grant receivables	2,395,257
Tenant and other receivables	771,747
Notes receivable	156,684
Prepaid expenses	9,871
Total current assets	6,432,929
Noncurrent assets:	
Other assets:	
Security deposits	103,837
Restricted cash	681,663
Total other assets	785,500
Capital assets:	
Capital assets not being depreciated	35,148,797
Capital assets, net of accumulated depreciation	101,427,207
Net capital assets	136,576,004
Total noncurrent assets	137,361,504
Total assets	143,794,433
LIABILITIES	
Current liabilities:	
Line of credit	178,329
Accounts payable	2,375,690
Accrued expenses	187,004
Contract obligations payable	395,612
Unearned revenue	97,474
Security deposits	249,278
Current portion of notes payable	305
Total current liabilities	3,483,692
Noncurrent liabilities:	
Notes payable	17,371,379
Total noncurrent liabilities	17,371,379
Total liabilities	20,855,071
NET POSITION	
Net investment in capital assets	119,204,320
Unrestricted	3,716,260
Unrestricted - component units	18,782
Total net position	\$ 122,939,362

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	2013
Operating revenues:	
Rental income and fees	\$ 1,841,738
Admission	326,454
Utilities assessment	538,218
Fuel flowage fees	69,300
Sponsorship - Air Show	68,750
Federal grants	1,271,758
Total operating revenues	4,116,218
Operating expenses:	
Salaries, taxes, and benefits	1,435,381
Supplies	356,335
Professional services	716,999
Property services	2,255,058
Other purchased services	363,507
Capital outlay	1,945,791
Depreciation	3,783,202
Total operating expenses	10,856,273
Operating loss	(6,740,055)
Nonoperating revenues (expenses):	
Federal grants	3,596,707
State grants	1,021,093
Donations	80,000
Miscellaneous	517,185
Navy covenant	(57,931)
Loss on sale of property	(7,730,303)
Interest income	378
Interest expense	(657,555)
Total nonoperating revenues (expenses)	(3,230,426)
Loss before contributions	(9,970,481)
Capital contributions	12,925,006
Change in net position	2,954,525
Net position, beginning of year, as restated	119,984,837
Net position, end of year	\$ 122,939,362

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Cash Flows
For the Year Ended June 30, 2013

	2013
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,344,947
Payments to suppliers	(5,717,692)
Payments to employees	(1,432,900)
Receipt of federal and state grants	1,118,530
Net cash provided by (used in) operating activities	(2,687,115)
Cash flows from noncapital financing activities:	
Issuance of notes receivable	(156,684)
Net cash provided by (used in) noncapital financing activities	(156,684)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,823,118)
Proceeds from sale of capital assets	3,421,200
Receipt of federal and state grants	2,879,283
Proceeds from line of credit	99,908
Proceeds from long-term debt	106,684
Principal payments on long-term debt	(7,382)
Interest payments on long-term debt	(559,075)
Contributions for interest payments	479,381
Net cash provided by (used in) capital and related financing activities	(2,403,119)
Cash flows from investing activities:	
Interest income	378
Net cash provided by investing activities	378
Net increase (decrease) in cash	(5,246,540)
Cash at beginning of year	9,027,573
Cash at end of year	\$ 3,781,033
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (6,740,055)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	3,783,202
Miscellaneous revenues	117,804
Miscellaneous expenses	(57,931)
Change in operating assets and liabilities:	
(Increase) decrease in noncapital grant receivables	(153,228)
(Increase) decrease in tenant and other receivables	285,209
(Increase) decrease in prepaid expenses	27,212
(Decrease) increase in accounts payable - trade	(99,410)
(Decrease) increase in accrued expenses	19,413
(Decrease) increase in contract obligations payable	70,688
(Decrease) increase in unearned revenue	97,474
(Decrease) increase in security deposits	(37,493)
Net cash provided by (used in) operating activities	(2,687,115)
Noncash capital and related financing activities:	
Capital contributions - capital assets/donated services	12,663,005

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Midcoast Regional Redevelopment Authority (MRRRA) was created by an Act of the State of Maine in 2005, by the State of Maine Legislature and is charged with the responsibility to acquire and manage Brunswick Naval Air Station (NASB) properties in both Brunswick and Topsham, Maine and implement the approved Reuse Master Plans for each. MRRRA is governed by an eleven member Board of Trustees. The accompanying financial statements present MRRRA and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The following are considered blended component units and along with MRRRA are collectively referred to as the Authority:

Brunswick Landing MHC USA, LLC was formed on July 11, 2011 to build a manufacturing building.

Midcoast Charitable Foundation of Maine was organized on July 6, 2011 to receive and hold charitable funds and distribute the income for charitable purposes to organizations serving individuals and families in the Midcoast Maine region.

The Authority is considered to be a component unit of the State of Maine.

Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements of the Authority are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from charges to tenants for the lease or license of property and providing goods and services in connection with the Authority's principal ongoing operations of the implementation of the Reuse Master Plans for Brunswick and Topsham properties and management of properties at Brunswick landing, the former NASB. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - For purposes of cash flow, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Restricted Cash - The predecessor entity to MRRRA entered into an agreement with a local association to contribute \$560 per developable acre transferred from the U.S. Navy to a homeless assistance trust fund. MRRRA is to act as fiduciary of this trust. In accordance with this agreement, MRRRA began contributing to this trust in 2011 upon the transfer of property from the U.S. Navy. At June 30, 2013, there was \$204,923 of restricted cash related to the trust fund.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Brunswick Landing MHC received a construction loan in order to build a 79,000 square foot medical device manufacturing facility. These funds were received in their entirety during 2011 and as of June 30, 2013, there was a remaining balance of \$476,740.

Accounts Receivable - The Authority uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At June 30, 2013, there was no allowance for uncollectible accounts receivable recorded as the Authority estimated 100% of receivables were collectible.

Capital Assets - Capital assets owned by the Authority are stated at the cost to acquire or construct the asset. Capital assets acquired through contributions from the U.S. Navy are capitalized using the U.S. Navy's schedule of estimated cost of replacement based on standard engineering estimates prepared by the Naval Facilities Engineering Command Office. The estimated replacement costs are then deflated using the Implicit Price Deflator for Gross National Products for structures prepared by the U.S. Bureau of Economic Analysis (August 2012) back to the year of construction. The Authority maintains a capitalization threshold of \$5,000. Routine maintenance and repairs are charged to expense. Expenses, which materially increase values, change capacities, or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	7-11
Buildings and building improvements	3-45
Machinery and equipment	2-7
Furniture and fixtures	4-5
Vehicles	4
Infrastructure	5-50

Accrued Compensated Absences - Under terms of personnel policies, the Authority grants vacation and sick time benefits. These benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered.

Contract Obligations Payable - Contract obligations payable reflect the difference between the value of the required contributions to the homeless assistance trust, which are a function of the value of capital contributions received from the United States Navy, and the value of payments made to eligible recipients. Contract obligations payable are recognized liabilities until the Authority fulfills its obligations to eligible recipients.

Unearned Revenue - Unearned revenue consists of lease revenue for subsequent periods, which was billed and collected as of the balance sheet date.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - MRRA qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to any state or federal income taxes. Brunswick Landing MHC USA, LLC and Midcoast Charitable Foundation of Maine file tax returns under the Internal Revenue Code.

DEPOSITS

Custodial credit risk - This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority currently does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$1,269,827 of the Authority's bank balance of \$3,360,255 was insured by the FDIC and \$2,000,000 was collateralized by securities held in the name of the Authority by the financial institution's trust department. The remaining \$90,428 was uninsured and uncollateralized.

Interest rate risk - The Authority currently does not have a deposit policy for interest rate risk.

NOTES RECEIVABLE

As of June 30, 2013, the Authority had the following notes receivable:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
SaviLinx, LLC	2013	\$ 50,000	5.00%	2019	50,000
Savi Systems, LLC	2013	250,000	4.25%	2019	106,684
Total notes receivable					\$ 156,684

The notes were provided to aid in job development and facilitate business growth in the region. The Savi Systems, LLC note is part of a conduit debt arrangement where the Authority has acted as an intermediary and obtained third party financing from the Maine Rural Development Authority with the same terms as the note issued to Savi Systems, LLC.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from June 30, 2013:

	Balance (Restated) <u>6/30/12</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/13</u>
Capital assets not being depreciated:				
Land	\$ 31,592,550	2,952,880	514,640	34,030,790
<u>Construction in progress</u>	<u>7,381,003</u>	<u>11,410,697</u>	<u>17,673,693</u>	<u>1,118,007</u>
Total capital assets not being depreciated	38,973,553	14,363,577	18,188,333	35,148,797
Capital assets being depreciated:				
Land improvements	7,511,875	1,510,464	-	9,022,339
Buildings and building improvements	61,189,058	25,163,545	10,544,833	75,807,770
Machinery and equipment	1,112,128	8,950	454,836	666,242
Furniture and fixtures	55,228	-	7,588	47,640
Vehicles	31,299	59,112	-	90,411
<u>Infrastructure</u>	<u>22,227,170</u>	<u>30,908</u>	<u>-</u>	<u>22,258,078</u>
Total capital assets being depreciated	92,126,758	26,772,979	11,007,257	107,892,480
Less accumulated depreciation for:				
Land improvements	618,680	621,219	-	1,239,899
Buildings and building improvements	1,363,107	2,151,279	253,605	3,260,781
Machinery and equipment	226,458	143,880	109,201	261,137
Furniture and fixtures	43,707	4,230	7,588	40,349
Vehicles	31,299	8,074	-	39,373
<u>Infrastructure</u>	<u>769,214</u>	<u>854,520</u>	<u>-</u>	<u>1,623,734</u>
Total accumulated depreciation	3,052,465	3,783,202	370,394	6,465,273
Total capital assets being depreciated, net	89,074,293	22,989,777	10,636,863	101,427,207
Capital assets, net	\$ 128,047,846	37,353,354	28,825,196	136,576,004

LONG-TERM DEBT

The following is a summary of long-term liability transactions of the Authority for the year ended June 30, 2013:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Notes payable	\$ 17,271,350	106,684	6,350	17,371,684	305
Capital leases	1,032	-	1,032	-	-
Accrued compensated absences	85,359	-	14,314	71,045	-
Total long-term liabilities	\$ 17,357,741	106,684	21,696	17,442,729	305

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

LONG-TERM DEBT

The following is a summary of the long-term debt payable at June 30, 2013:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 6/30/13</u>
Midcoast Regional Redevelopment Authority:				
Note payable	3,000,000	2023	Varies	3,000,000
Note payable	250,000	2018	4.25%	106,684
Brunswick Landing MHC USA, LLC:				
Note payable	10,319,583	2029	5.00%	10,319,583
Note payable	3,945,417	2030	2.13-4.04%	3,945,417
				17,371,684
Less current portion				305
				<u>\$ 17,371,379</u>

Requirements for the repayment of the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2014	\$ 305	604,740	605,045
2015	153,744	604,655	758,399
2016	153,907	714,787	868,694
2017	154,076	708,813	862,889
2018	244,652	702,510	947,162
2019-2023	11,778,902	2,603,532	14,382,434
2024-2028	1,650,000	717,796	2,367,796
2029-2033	-	653,941	653,941
2034-2038	-	653,941	653,941
2039-2043	-	653,941	653,941
2044-2047	3,236,098	468,658	3,704,756
Totals	\$ 17,371,684	9,087,314	26,458,998

LINES OF CREDIT

The Authority maintains a line of credit with Mechanics Savings Bank for \$500,000. In June 2013, the Authority entered the line of credit agreement for a two year term, which is set to expire in June 2015. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2013) plus 1%. As of June 30, 2013, there was no outstanding balance under the line of credit.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

LINES OF CREDIT, CONTINUED

The Authority maintains a line of credit with Bath Savings Institute for \$500,000. During 2013, the Authority renewed the line of credit for a one year term, which is set to expire in June 2014. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2013). As of June 30, 2013, there was no outstanding balance under the line of credit. The line of credit is subject to a covenant. The covenant states that annually, the line of credit must have a zero balance for a period of no less than thirty consecutive days. The Authority was in compliance with the covenant as of June 30, 2013.

The Authority maintains a non-interest bearing line of credit with the Maine Department of Transportation for \$1,300,000 to fund operating deficits of the Brunswick Executive Airport for the first five years of operation (2011-2015). Funding for any one individual year cannot exceed \$300,000. Repayment of funds disbursed under the line of credit begins in 2016 at a rate of 15% of each annual surplus for 2016-2018 and 20% of each annual surplus beginning in 2019 and continuing until all funds have been repaid. As of June 30, 2013, there was \$178,329 outstanding under the line of credit.

NET POSITION

Net position represents assets less liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use of funds either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net investment in capital assets was calculated as follows at June 30, 2013:

Capital assets	\$ 143,041,277
Accumulated depreciation	(6,465,273)
Bonds payable	(17,371,684)
Net investment in capital assets	\$ 119,204,320

CONTINGENT RECEIVABLE

In May of 2012, the Authority entered into an agreement with a local developer for the sale of Authority owned land. The agreement calls for the ownership of the land to transfer to the developer and the Authority will receive 25% of the gross sales price for any sale of the land by the developer to a third party. The agreement is in effect for ten years, maturing on May 3, 2022, and proceeds from the agreement are limited to a maximum of \$6,645,000. During the year ended 2013, the Authority received \$62,024 under this arrangement.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

OPERATING LEASES

The Authority has entered into several lease agreements to rent buildings, parcels of land, a golf course, and utility poles. Several leases are month to month arrangements while others do not terminate until April 2031. Rental payments from tenants range from \$435 - \$73,880 per month based on the amount of space rented. For the year ended June 30, 2013, rental income amounted to \$1,841,738.

Future minimum rental income under the rental leases are as follows:

2014	\$ 1,348,667
2015	1,340,048
2016	1,374,705
2017	1,071,611
2018	378,353
Thereafter	<u>2,529,831</u>
Total	<u>\$ 8,043,215</u>

PENSION PLAN

Full-time and part-time employees working twenty hours or more per week are eligible to participate in the Authority's Section 401(a) deferred compensation program. The Plan covers all of the Authority's employees and requires that participating employees contribute 4% of earnable compensation to the Plan. The Authority contributes 7% of earnable compensation of each employee to the Plan. Election to participate in the Plan is irrevocable and may only cease should the employee terminate employment with the Authority. The Authority contributed \$72,131 to the Plan for the year ended June 30, 2013. This program is administered by the ICMA Retirement Corporation.

Employees may also voluntarily participate in the Authority's Section 457(b) deferred compensation Plan. The Plan allows qualified employees to authorize the Authority to withhold portions of their wages on a pre-tax and/or post-tax basis. The earnings on these investments are not subject to current state or federal taxes. However, any pre-tax investments and all earnings are subject to state and federal taxes upon withdrawal. This program is also administered by the ICMA Retirement Corporation.

COMMITMENTS AND CONTINGENCIES

During 2011, the Brunswick Landing MHC entered into an agreement with a construction company to construct a manufacturing facility in Brunswick, Maine. Construction commenced in October 2011 and the facility is expected to be completed by the winter of 2013. The total amount of the agreement is \$13,626,764. As of June 30, 2013, \$12,886,811 has been paid to the construction company for services performed.

During 2012, the MRRA entered into an agreement with a construction company to construct a ten unit T-Hangar adjacent to the airfield. Construction commenced in November 2012 and the facility is expected to be completed by the winter of 2013. The total amount of the agreement is \$1,179,521. As of June 30, 2013, \$951,455 has been paid to the construction company for services performed.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

COMMITMENTS AND CONTINGENCIES, CONTINUED

As part of the terms of the purchase and sale agreement between the Authority and the United States of America (the Government) for the transfer of the former NASB, the Authority was required to enter into a \$3,000,000 loan agreement (see long-term debt note). The Authority will also be required to pay the Government 25% of real estate proceeds received for the sale, transfer, conveyance, assignment or lease of any portion of the property transferred by the Government in excess of \$7,000,000 and up to \$37,400,000. If the real estate proceeds are in excess of \$37,400,000 and less than \$42,400,000, the Authority is not required to pay the government any portion of the proceeds. If the real estate proceeds exceed \$42,400,000, the Authority is required to pay the government 50% of all gross real estate proceeds. These requirements will be in effect for 23 years, starting after the initial closing or January 1, 2018, whichever is earlier.

The Authority has numerous agreements in place whereby vendors have been contracted to provide services to the Authority on an as needed basis. These services are to be charged to the Authority based on a specific project that the vendor is engaged to perform. Because of these factors, the total amount of expenditures to be paid to vendors as of June 30, 2013 cannot be reasonably estimated.

CAPITAL CONTRIBUTIONS

During 2013, the United States Navy transferred ownership of capital assets, which included land and buildings. The capital assets transferred had an estimated value of \$11,489,022 at the date of the transfer.

REVALUATION OF CAPITAL ASSETS CONTRIBUTED FROM THE U.S. NAVY

Since original cost information was not available from the Navy given the age of facilities and unavailability of information from the Federal Government, the Authority had to develop a methodology for determining value for capital assets. In 2006, the U.S. Navy provided a schedule of the estimated cost of replacement based on standard engineering estimates prepared by the Naval Facilities Engineering Command (NAVFAC) office. Most of the buildings were valued at the replacement cost in 2006 dollars. For other buildings, the Authority used its best professional judgment on the estimated cost to replace on a per square foot basis in 2006 dollars. A matrix was developed that continued to use the Navy estimates of the cost to replace, but a factor was added to deflate values using the Implicit Price Deflator for Gross National Products for structures prepared by the U.S. Bureau of Economic Analysis (August 2012) back to the year of construction.

As properties have begun to be offered to the marketplace and been sold, the Authority has learned about the value of former military facilities in the civilian marketplace. The Authority has also had the benefit of having funded and received independent market appraisals on buildings that have been sold. From these studies, the Authority has learned that current capital asset values of land and buildings, which were in part a function of the U.S. Navy's estimated cost to replace, appear to have been overstated as those capital assets have been acquired from the U.S. Navy. Moreover, the lack of maintenance and repair of these buildings by the U.S. Navy and the single purpose nature of many U.S. Navy buildings has contributed to the impaired value of these assets.

The Authority has established a work plan for fiscal year 2014 to conduct a revaluation of all land and buildings capital assets and to appropriately restate capital asset values, if necessary. Further, as properties are transferred during the course of this year from the U.S. Navy, the Authority will be utilizing market based information to establish the capital asset value.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

PRIOR PERIOD ADJUSTMENT

Midcoast Regional Redevelopment Authority

During 2013, it was noted that certain construction and engineering costs were excluded from the calculation of construction in progress. Net position as of July 1, 2012 has been restated as follows:

Net position, July 1, 2012, as previously reported	\$ 119,392,513
Prior period adjustment – additional construction in progress costs	167,488
Net position, July 1, 2012, as restated	\$ 119,560,001

Brunswick Landing MHC USA, LLC

During 2013, it was noted that certain construction and engineering costs were excluded from the calculation of construction in progress. Net position as of June 30, 2012 has been restated as follows:

Net position, July 1, 2012, as previously reported	\$ (30,400)
Prior period adjustment – additional construction in progress costs	454,017
Net position, July 1, 2012, as restated	\$ 423,617

SUBSEQUENT EVENTS

On July 24, 2013, the Executive Committee accepted a grant from the Federal Aviation Administration (FAA) in the amount of \$1.8 million. There is a required match of \$90,000, which will be funded partially by the State of Maine and the remaining portion of the match will be funded by the Authority.

In July 2013, the Authority entered a purchase and sale agreement in the amount of \$5.1 million for the sale of Authority owned property located at 14 Resilient Circle.

Subsequent to year end, the Authority drew down \$300,000 from the non-interest bearing line of credit with the State of Maine Department of Transportation.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statement of Net Position
June 30, 2013

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,934,764	164,523	83	3,099,370
Receivables:				
Grant receivables	2,395,257	-	-	2,395,257
Tenant and other receivables	509,746	262,001	-	771,747
Notes receivable	156,684	-	-	156,684
Prepaid expenses	9,871	-	-	9,871
Total current assets	6,006,322	426,524	83	6,432,929
Noncurrent assets:				
Other assets:				
Security deposits	103,837	-	-	103,837
Restricted cash	204,923	476,740	-	681,663
Total other assets	308,760	476,740	-	785,500
Capital assets:				
Capital assets not being depreciated	35,148,797	-	-	35,148,797
Capital assets, net of accumulated depreciation	85,611,443	15,815,764	-	101,427,207
Net capital assets	120,760,240	15,815,764	-	136,576,004
Total noncurrent assets	121,069,000	16,292,504	-	137,361,504
Total assets	127,075,322	16,719,028	83	143,794,433
LIABILITIES				
Current liabilities:				
Line of credit	178,329	-	-	178,329
Accounts payable - trade	398,401	550	-	398,951
Accounts payable - construction/retainage	1,238,548	738,191	-	1,976,739
Accrued expenses	21,500	-	-	21,500
Accrued payroll and related liabilities	45,996	-	-	45,996
Accrued compensated absences	71,045	-	-	71,045
Accrued interest	113	48,350	-	48,463
Security deposits	249,278	-	-	249,278
Contract obligations payable	395,612	-	-	395,612
Unearned revenue	-	97,474	-	97,474
Current portion of notes payable	305	-	-	305
Total current liabilities	2,599,127	884,565	-	3,483,692
Noncurrent liabilities:				
Notes payable	3,106,379	14,265,000	-	17,371,379
Total noncurrent liabilities	3,106,379	14,265,000	-	17,371,379
Total liabilities	5,705,506	15,149,565	-	20,855,071
NET POSITION				
Net investment in capital assets	117,653,556	1,550,764	-	119,204,320
Unrestricted	3,716,260	-	-	3,716,260
Unrestricted - component units	-	18,699	83	18,782
Total net position	\$ 121,369,816	1,569,463	83	122,939,362

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Totals
Operating revenues:				
Rental income and fees	\$ 1,451,826	389,912	-	1,841,738
Air show admission fees	326,454	-	-	326,454
Utilities assessment	538,218	-	-	538,218
Transient aircraft and fuel flowage fees	69,300	-	-	69,300
Air show sponsorships	68,750	-	-	68,750
Federal grants	1,271,758	-	-	1,271,758
Total operating revenues	3,726,306	389,912	-	4,116,218
Operating expenses:				
Salaries, taxes, and benefits	1,435,381	-	-	1,435,381
Supplies	356,335	-	-	356,335
Professional services	701,008	15,356	635	716,999
Property services	2,255,058	-	-	2,255,058
Other purchased services	339,210	7,036	17,261	363,507
Capital outlay	1,945,791	-	-	1,945,791
Depreciation	3,783,202	-	-	3,783,202
Total operating expenses	10,815,985	22,392	17,896	10,856,273
Operating income (loss)	(7,089,679)	367,520	(17,896)	(6,740,055)
Nonoperating revenues (expenses):				
Federal grants	3,596,707	-	-	3,596,707
State grants	1,021,093	-	-	1,021,093
Donations	80,000	-	-	80,000
Miscellaneous revenue	37,804	479,381	-	517,185
Navy covenant	(57,931)	-	-	(57,931)
Loss on sale of property	(7,730,303)	-	-	(7,730,303)
Interest income	378	-	-	378
Interest expense	(663)	(656,892)	-	(657,555)
Total nonoperating revenues (expenses)	(3,052,915)	(177,511)	-	(3,230,426)
Income (loss) before contributions and transfers	(10,142,594)	190,009	(17,896)	(9,970,481)
Transfers in (out)	218,140	(234,900)	16,760	-
Capital contributions	11,734,269	1,190,737	-	12,925,006
Change in net position	1,809,815	1,145,846	(1,136)	2,954,525
Net position, beginning of year, as restated	119,560,001	423,617	1,219	119,984,837
Net position, end of year	\$ 121,369,816	1,569,463	83	122,939,362

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statement of Cash Flows
For the Year Ended June 30, 2013

	Midcoast Regional Redevelopmen Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,857,561	487,386	-	3,344,947
Payments to suppliers	(5,677,367)	(21,842)	(18,483)	(5,717,692)
Payments to employees	(1,432,900)	-	-	(1,432,900)
Receipt of federal and state grants	1,118,530	-	-	1,118,530
Net cash provided by (used in) operating activities	(3,134,176)	465,544	(18,483)	(2,687,115)
Cash flows from noncapital financing activities:				
Issuance of notes receivable	(156,684)	-	-	(156,684)
Transfers (to) from related companies	218,140	(234,900)	16,760	-
Net cash provided by (used in) noncapital financing activities	61,456	(234,900)	16,760	(156,684)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,826,962)	(6,996,156)	-	(8,823,118)
Proceeds from sale of capital assets	3,421,200	-	-	3,421,200
Receipt of federal and state grants	2,879,283	-	-	2,879,283
Proceeds from line of credit	99,908	-	-	99,908
Proceeds from long-term debt	106,684	-	-	106,684
Principal payments on long-term debt	(7,382)	-	-	(7,382)
Interest payments on long-term debt	(550)	(558,525)	-	(559,075)
Contributions for interest payments	-	479,381	-	479,381
Net cash provided by (used in) capital and related financing activities	4,672,181	(7,075,300)	-	(2,403,119)
Cash flows from investing activities:				
Interest income	378	-	-	378
Net cash provided by investing activities	378	-	-	378
Net increase (decrease) in cash	1,599,839	(6,844,656)	(1,723)	(5,246,540)
Cash at beginning of year	1,539,848	7,485,919	1,806	9,027,573
Cash at end of year	\$ 3,139,687	641,263	83	3,781,033
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (loss)	\$ (7,089,679)	367,520	(17,896)	(6,740,055)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,783,202	-	-	3,783,202
Miscellaneous revenues	117,804	-	-	117,804
Miscellaneous expenses	(57,931)	-	-	(57,931)
Change in operating assets and liabilities:				
(Increase) decrease in noncapital grant receivables	(153,228)	-	-	(153,228)
(Increase) decrease in tenant and other receivables	285,209	-	-	285,209
(Increase) decrease in prepaid expenses	27,212	-	-	27,212
(Decrease) increase in accounts payable - trade	(99,373)	550	(587)	(99,410)
(Decrease) increase in accrued expenses	16,932	-	-	16,932
(Decrease) increase in accrued payroll and related liabilities	16,795	-	-	16,795
(Decrease) increase in accrued compensated absences	(14,314)	-	-	(14,314)
(Decrease) increase in contract obligations payable	70,688	-	-	70,688
(Decrease) increase in unearned revenue	-	97,474	-	97,474
(Decrease) increase in security deposits	(37,493)	-	-	(37,493)
Net cash provided by (used in) operating activities	(3,134,176)	465,544	(18,483)	(2,687,115)
Noncash capital and related financing activities:				
Capital contributions - capital assets/donated services	11,734,269	928,736	-	12,663,005

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Revenues - Budget to Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance positive (negative)
Income:			
Lease revenue	\$ 1,507,774	1,451,826	(55,948)
Special service assessments	818,734	538,218	(280,516)
Transient aircraft fees and fuel flowage	21,000	69,300	48,300
Office of Economic Development - D.O.D.	1,382,670	1,271,758	(110,912)
Town of Brunswick match	5,000	5,000	-
Air show revenues	687,000	395,204	(291,796)
Donated services	60,000	80,000	20,000
Miscellaneous	-	32,804	32,804
Total income	4,482,178	3,844,110	(638,068)
Transfers:			
From sale of property	520,888	62,024	(458,864)
Total transfers	520,888	62,024	(458,864)
Total operating revenues	5,003,066	3,906,134	(1,096,932)

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Expenses - Budget to Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance positive (negative)
Personnel services:			
Salaries	\$ 680,238	862,823	(182,585)
Wages	337,138	235,364	101,774
Other pay	8,000	-	8,000
Overtime wages	3,000	-	3,000
Total personnel services	1,028,376	1,098,187	(69,811)
Employee benefits:			
Unemployment compensation	5,796	9,511	(3,715)
Workers' compensation insurance	4,845	10,311	(5,466)
Deferred compensation	71,357	72,131	(774)
FICA taxes	78,211	82,770	(4,559)
Other employee benefits	182,000	162,471	19,529
Total employee benefits	342,209	337,194	5,015
Supplies:			
Office supplies	8,221	9,169	(948)
Books and periodicals	1,039	563	476
Postage	3,650	3,717	(67)
Photocopier	7,430	4,285	3,145
Sand and chemicals	12,500	1,875	10,625
Cleaning supplies	5,000	191	4,809
Street and construction supplies	-	620	(620)
Heating fuel	182,221	241,648	(59,427)
Gasoline and oil	73,435	89,239	(15,804)
Uniforms and personal safety equipment	1,200	5,028	(3,828)
Total supplies	294,696	356,335	(61,639)
Professional services:			
Employee training	6,800	3,064	3,736
Dues and memberships	19,064	18,659	405
Meal allowance	79,100	10,293	68,807
Board expenses	2,500	2,117	383
Executive director meeting expenses	2,500	1,539	961
Annual dinner	6,300	5,531	769
Computer services	16,285	24,545	(8,260)
Permits and fees	2,400	15,473	(13,073)
Legal services	152,451	101,782	50,669
Other professional services	376,335	488,835	(112,500)
Audit services	22,000	29,170	(7,170)
Total professional services	685,735	701,008	(15,273)

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Expenses - Budget to Actual, continued
For the Year Ended June 30, 2013

	Budget	Actual	Variance positive (negative)
Property services:			
Vehicle maintenance	\$ 18,000	23,665	(5,665)
Electricity	960,563	711,410	249,153
Water and sewer	428,309	409,793	18,516
Telephone	18,261	14,515	3,746
Building maintenance	126,600	200,664	(74,064)
Rental expenses	82,150	209,509	(127,359)
Infrastructure maintenance	308,733	119,550	189,183
Equipment maintenance	82,360	72,667	9,693
Waste collection	4,320	3,905	415
Snow removal	75,000	93,979	(18,979)
Pavement and markings	1,500	16,236	(14,736)
Vegetation maintenance	52,500	8,672	43,828
Security maintenance	47,216	58,477	(11,261)
Navigation aid maintenance and service	17,000	7,246	9,754
Miscellaneous repairs and maintenance	120,000	257,021	(137,021)
Local match MAP projects	166,000	47,749	118,251
Total property services	2,508,512	2,255,058	253,454
Other purchased services:			
Liability insurance	33,774	34,167	(393)
Building insurance	31,276	42,996	(11,720)
Automobile insurance	9,220	7,012	2,208
Travel	39,100	46,985	(7,885)
Advertising	5,300	15,313	(10,013)
Printing	14,915	10,054	4,861
Donations	25,000	118,431	(93,431)
Donated services	60,000	60,000	-
Contingency	44,200	4,252	39,948
Total other purchased services	262,785	339,210	(76,425)
Capital outlay:			
Equipment and furniture	-	4,960	(4,960)
Tech hardware	5,200	2,226	2,974
Tech software	-	1,819	(1,819)
Total capital outlay	5,200	9,005	(3,805)
Debt service:			
Reduction of principal	6,350	6,350	-
Interest	164	550	(386)
Total debt service	6,514	6,900	(386)
Transfers:			
To capital improvement sinking fund	150,777	-	150,777
Total transfers	150,777	-	150,777
Total operating expenses	\$ 5,284,804	5,102,897	182,293

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Activities
For the Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and change in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Business-type activities:					
Redevelopment of Naval Air Station	\$ 11,571,759	2,844,460	1,271,758	16,578,533	9,122,992
General revenues:					
Non-program grants and contributions					964,273
Miscellaneous revenues					597,563
Gain (loss) on sale of property					(7,730,303)
<u>Total general revenues</u>					<u>(6,168,467)</u>
Change in net position					2,954,525
Net position - beginning					119,984,837
Net position - ending					\$ 122,939,362



MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY FY 2014 WORK PLAN

Plan Implementation

- Continue to implement MRRA's Strategic Communications Plan.
- Implement the initial phases of the capital improvement program as established in the Operations Plan and construction/repairs identified in the Inflow and Infiltration Report.
- Continue to administer the Homeless Assistance Trust Fund now that property is beginning to be transferred.

Studies

- Finalize the Phase II of sewer system inflow and infiltration (I & I) study for Brunswick Landing and prepare a plan for funding and implementation.
- Pending funding from the Office of Economic Adjustment undertake a Property Conditions Assessment of vacant buildings at Brunswick Landing to identify the presence of conspicuous defects or material deferred maintenance of a subject property's material systems, components, or equipment that would prevent the transition of building to a civilian reuse for a purpose identified in the Reuse Master Plan.
- Pending funding from the Office of Economic Adjustment develop comprehensive financial forecast of revenues and expenditures, using assumptions of economic conditions, anticipated spending and projections of fund balance for MRRA's primary operating funds (MRRA Operating, Brunswick Executive Airport, Electric Utility, Water Utility and Sanitary and Stormwater Sewer Utility, and OEA budget). The financial forecast shall provide a Baseline scenario representing the most likely or expected conditions, a Favorable/High Growth scenario, and an Unfavorable/Low Growth scenario.
- To support the development of a smart electrical micro grid at Brunswick Landing capable of supporting tenant operations and the growth of the Renewable Energy Center, commission and complete a comprehensive analysis of the electrical transmission and distribution system. This comprehensive analysis will form the basis

of a plan for directed development of the grid and would include: development of a planning model of the system; establishment of plausible load growth scenarios; determination of capability of the existing system to support load additions; determine flexibility for serving loads; identify required changes to improve reliability and service quality and to reduce operating costs; and an analysis of potential customers.

Conveyance Management

- ❑ Continue to work with the BRAC PMO office on EDC and Airport PBC conveyances.
- ❑ Work with the Navy, federal sponsoring agencies, and the organizations receiving public benefit conveyance property transfers at former NAS Brunswick and the Topsham Annex site, including the Town of Brunswick, Bowdoin College, and Family Focus.
- ❑ Conduct a second auction of personal property.

Environmental Studies and Remediation

- ❑ Continue to work with the Navy, the Maine Department of Environmental Protection and the US Environmental Protection Agency, Region I Office, on environmental remediation strategy, phasing and implementation to support the Reuse Master Plans.
- ❑ Continue to serve on the Restoration Advisory Board (RAB) and participate in meetings with all stakeholders to provide information and feedback to the Navy on environmental cleanup activities and planning.
- ❑ Develop a comprehensive Stormwater Management Plan (SWMP) for Brunswick Landing consistent with the pending changes to the Town of Brunswick Zoning Ordinance.

Property Management

- ❑ Continue to invest in utilities at Brunswick Landing and Topsham Commerce Park as well as address American with Disabilities Act and National Fire Protection Association 101 Life Safety Code issues within buildings at both sites along with other site improvements with the Economic Development Administration grant of \$1.7 million.
- ❑ Continue to manage the maintenance and security of buildings, grounds and utilities at Brunswick Landing the Topsham Commerce Park.
- ❑ Manage the oversight of leases and tenant issues.

Economic Development

- ❑ Continue to build relationships and contacts in the identified business clusters that will support redevelopment efforts.
- ❑ Seek funding and build public and private partnerships to support Brunswick Landing's Technology Acceleration Center and business incubator to serve as a hub of innovation for our targeted market niches and their respective supply chains.
- ❑ Seek approval from the Town of Brunswick and State of Maine for two tax increment financing districts to support rapid and successful redevelopment. Seek designation of 146 acres within the boundaries of Brunswick Executive Airport and an additional 542 acres in the non-airport portion of the base.
- ❑ Finalize the capitalization of the MRRRA Working Capital Revolving Loan program by seeking banks and financial institutions willing to contribute to the Revolving Loan Fund.
- ❑ Market MRRRA's Tenant Improvement Revolving Loan Fund.
- ❑ Continue to market the 393 acre Foreign Trade Zone at Brunswick Landing.
- ❑ Complete transition and upgrade to MRRRA's website to increase effectiveness of marketing and communications to perspective clients and our stakeholders.

Brunswick Executive Airport

- ❑ Seek Port of Entry status for the Brunswick Executive Airport.
- ❑ Complete construction and lease up of new ten T-Hangar facility.
- ❑ Complete installation of new wildlife fence, airport signs and access gates.
- ❑ Continue full airport operations and look for ways to grow market share and promote overall growth for all Maine airports.
- ❑ Host the Third Great State of Maine Air Show in September 14 and 15.

