

**Curt Lack, Chief Financial Officer for Mid America Recycling,
Presentation to the MWA Board of Directors and Staff
February 19, 2020**

RE: Resolution 02-20-06 – Expressing Intent to Enter into Material Recovery Facility Solid Waste Disposal Revenue Loan Agreement and Issue a Note in an Amount Not to Exceed \$33,000,000 – Action Item

Hello everyone. My name is Curt Lack. I am a CPA and an experienced CFO by trade and, since 2009, own and operate my own outsource CFO services business that I cleverly named “Outsource CFO.”

I am also a principal of Mid America Recycling and oversee the financial matters as the Company’s CFO on strategic matters.

My business partner, Brian Meng, who has previously addressed the MWA, is unable to be here tonight so I am here instead to address the board about our company and your plans to build the public Material Recycling Facility, aka MRF.

While Mr. Meng has addressed the myths around the MWA claiming the proposed facility is due to deficiencies in the current program with Mid America Recycling, which he has accurately debunked, I will highlight flaws in MWA’s financial rationale as well as its questionable stewardship of the taxpayers’ money and trust.

I am here to tell you, as a financial analyst and consultant, by any financial or investment measure, there is no rationale to support the investment by the MWA in a new MRF.

Simply put, pursuant to the basic servicing contract that has been in place between MWA and Mid America Recycling for the past 25 years,

MWA pays us about \$65,000 monthly, approximately \$780,000 annually which is a fraction of the \$33mil cost of a new facility and is less than a years' worth of interest MWA will pay on the related bond debt.

Let me repeat that – MWA will pay more in interest on financing its Facility than it would pay to the current third-party servicer – year in and year out. The question that should be asked by MWA leadership is whether this lack of financial justification should be ignored or heeded in guiding its decisions?

And speaking of stewardship of public's money, it seems MWA has historically enjoyed operating under the radar, but the recent news of a multi-million dollar embezzlement has brought them into the public view which has reason to question the organization's lack of diligence in ensuring financial controls and oversight.

In addition to financing costs, MWA's best-case scenario for operating its MRF is to annually incur operating loss of \$3-4mil!

Let's examine why that is.

- 1. MWA's anticipated operating costs per ton are more than double the current industry standards.**
- 2. MWA staff has 6 months of recyclable marketing experience and no MRF management experience.**
- 3. MWA's proposal requires the elimination of glass, one of the four main recyclable categories.**

- 4. MWA has unrealistic expectations of processing 40-53,000 tons per year when the entire state of Iowa produces about 70,000 tons per year, in other words, an expectation that they will attain 60-75% of the state's recyclables even though these tons are already under existing contracts and are processed by other existing MRF's in the state, including Mid America Recycling.**

- 5. On the latter point, having an organization whose funding comes largely from the public seek to compete with independently owned and operating small businesses and potentially put many of them out of business is an affront to fairness and decency.**

I should also point out that during all but the last couple of the past 25 years of Mid America Recycling providing services, MWA enjoyed sharing in the funds generated from the recycling program. With markets at historical low levels today, there has been little to share lately and no recycling program, including MWA's, can escape or correct these anemic markets.

And in no case does the building of a new facility change the industry economics imposed by the market. On the other hand, should the markets turn back up, MWA would again share in funds generated from our marketing and selling of recyclables.

I will leave you with one final thought

The MWA mission statement has always been that you took on the issues that private business either could not or did not want to handle.

I would just ask you to think about what impact tens of million dollars of capital investment and millions of dollars of annual subsidies could have on an environmental issue not currently being served. An example would be Construction and Demolition recyclables which is severely under-served today in central Iowa.

I have a hand out to leave with everyone that summarizes the points that I have made. I will be here for the remainder of the meeting if you need any additional clarification.

Thank you for your consideration.