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August 1, 2024

Melanie Loyzim, Commissioner
Department of Environmental Protection
17 State House Station, Augusta, ME 04333

Dear Ms. Loyzim,

This document proposes to amend the Maine Architectural Paint Stewardship Program Plan. Its primary objective is establishing a new fee structure, an important change for the program's sustainability. PaintCare proposes to replace part of Section IV Program Budget and Paint Stewardship Assessment (pages 30-35) with the following text.

PROPOSED TEXT

Paint Sales (page 31)

To estimate Maine architectural paint sales, PaintCare consulted with Decision Metrics, Inc., a highly reputable firm used by the American Coatings Association during the past 25 years, as well as PaintCare and some individual paint companies to project and model paint sales nationally, in certain states, and in smaller geographic regions such as counties. Decision Metrics developed a series of models to project paint demand and publishes a quarterly report that provides a current-period and forward-looking coatings demand estimate.

To project the total gallons sold and provide a container size breakdown (1-gallon vs. 5-gallon) for Maine, Decision Metrics considered many key metrics, including housing starts and home sales, construction projects, the residential home improvement market (DIY), and other economic conditions. To assist, PaintCare provided Decision Metrics with actual historical monthly sales totals reported by each size category for Maine.

Sales surged during the pandemic due to an increase in the DIY market but have fallen yearly since. Due to lower-than-anticipated paint sales in 2022 and 2023, operating reserves dropped to 30% at the end of 2023, with further declines forecasted in 2024 – 2026, as presented in PaintCare's 2023 Annual Report. Although the Decision Metrics model projects that paint sales will grow at an average rate of 2% per year in the next few years, expenses are expected to outpace that modest increase in revenue. The following table shows paint sold in gallons from 2020 through 2023.

ACTUAL PAINT SOLD (GALLONS)

	2020	2021	2022	2023
Gallons Sold	2,434,693	2,210,951	2,104,750	2,082,376

Paint Collection Volumes (page 32)

While paint collection activities and gallons have ebbed and flowed since the program's beginning, paint collection is projected to remain near 2023 levels for the next few years. The following table shows paint collection volumes from 2020 through 2023.

PAINT COLLECTED (GALLONS)

	2020	2021	2022	2023
Gallons Collected	131,476	136,818	122,131	131,281

Program Budget (page 33)

Based on anticipated paint collection volumes and sales, PaintCare has developed a budget projection for the next four years. The primary elements of the budget are discussed here.

Revenue

Revenue is calculated using the current fee structure through April 2025. Starting in May 2025 and subsequent years, revenue is calculated using the proposed fee structure (shown in the following subsection) and the anticipated paint sales by container type.

Operations Expenses

Operations include all in-state expenses (direct expenses) specific to operating the Maine program. These costs are borne entirely by the Maine program and not shared with other PaintCare programs. They are categorized as follows:

- **Paint processing.** This is usually the most significant expense of the program. Costs are based on vendor pricing and payments for the additional activities (e.g., reuse) at sites. Due to vendor price increases, paint processing costs increased by 9% in 2023 and are projected to increase an average of 2.0% annually over the next four years.
- **Paint transportation.** This expense includes transporting paint bins from paint drop-off sites to paint processing locations. Due to vendor price increases, transportation costs are projected to increase over the next four years.

- **Paint collection supplies and support.** These expenses include the cost of paint collection bins, spill kits, PaintCare event expenses, training materials, signs, labor to pack paint at LVP sites, and other paint collection-related support. Due to vendor price increases, paint collection supplies and support costs are projected to increase over the next four years.
- **Communications.** These expenses include advertising and educational materials to increase program awareness and promote drop-off sites, events, and other services. If the paint stewardship fee increase is approved, PaintCare plans to increase the communications budget to \$200,000 to provide funding to increase public education and outreach elements.
- **Personnel, professional services, and other.** These expenses include staff working directly to implement the Maine program, legal costs for regulatory review and developing contracts, and other logistical, professional support, and office expenses. This category includes a 2024 fee audit required by the Maine DEP to approve the proposed fee increase.
- **State agency administrative fees.** This annual expense will be paid by PaintCare to Maine DEP for program oversight.

General and Administrative

General and administrative costs include administrative and corporate staff, back-office support (e.g., information technology, human resources, legal, accounting, and government affairs), insurance, data management systems, annual financial audit, software licenses, professional services for corporate or organization-wide matters, occupancy, general communications, and other supplies and services that support all PaintCare programs. These costs are shared across all PaintCare programs and allocated relative to population. Maine's share of the general and administrative allocation is currently 1.5%.

The General and Administrative line item increased in 2024 because of new corporate-level positions, a reclassification of how certain travel expenses are accounted for, and increased general communications, including increased participation at national conferences to promote the PaintCare program. With the addition of the Illinois program to the allocation formula (approximately six months before the program starts), Maine's share of the General and Administrative costs will decrease in 2025 and gradually increase annually.

Operating Reserves

Reserves represent the net assets of the Maine program. Reserves are needed to sustain the program in times of either higher-than-expected paint collection volumes resulting in higher-than-expected expenses, lower-than-expected paint sales resulting in lower-than-expected revenue, or a combination of the two. PaintCare's reserves policy establishes a target reserve as a percentage of annual expenses and sets a minimum and maximum threshold. If the reserves fall below the minimum threshold or rise beyond the maximum threshold, an evaluation of the program's expenses and revenue is performed to determine if changes are needed in operations, outreach, and/or the fee structure to bring the reserve balance within range. PaintCare currently has a target reserve of 100% of annual expenses (i.e., 12 months of operating expenses), with a minimum threshold of 75% (i.e., nine months) and a maximum threshold of 125% (i.e., 15 months).

PROGRAM BUDGET AND PROJECTIONS

	Actual		Projections			
Revenue	2022	2023	2024	2025	2026	2027
Small Containers	\$162,291	\$169,072	\$167,765	\$219,541	\$248,570	253,541
Medium Containers	981,742	942,903	955,450	1,274,972	1,462,327	1,491,573
Large Containers	216,152	224,077	227,592	270,159	294,308	300,194
Total Revenue	1,360,185	1,336,052	1,350,807	1,764,672	2,005,205	2,045,308
Expenses						
Paint Processing	696,128	759,465	772,603	788,055	803,816	819,892
Paint Transportation	202,494	196,142	205,588	209,700	213,894	218,172
Paint Collection Supplies and Support	166,021	159,694	184,782	188,478	192,247	196,092
Communications	41,932	61,784	7,709	200,000	200,000	200,000
Personnel, Professional Fees, Other	133,146	134,490	157,975	135,799	139,752	144,147
State Agency Administrative Fees	82,000	82,000	84,000	84,000	84,000	84,000
General and Administrative	100,692	109,597	138,653	125,716	130,745	135,974
Total Expenses	1,422,413	1,503,171	1,551,310	1,731,748	1,764,454	1,798,278
Change in Net Assets	(62,228)	(167,119)	(200,503)	32,924	240,751	247,030
Net Assets, Beginning of Year	678,757	616,529	449,410	248,805	281,729	522,480
Net Assets, End of Year	\$616,529	\$449,410	\$248,906	\$281,729	\$522,480	\$769,510
Reserve Level	43%	30%	16%	16%	30%	43%

PaintCare Fee

Based on the projected paint sales, revenue, and expenses, PaintCare proposes the following increases in the program fee structure:

PROPOSED PAINTCARE FEE SCHEDULE

Size	Container Size	Current Fee Structure	Proposed Fee Structure	Change
Very Small	Half pint or smaller	\$0.00	\$0.00	\$0.00
Small	Larger than half pint up to smaller than 1 gallon	\$0.35	\$0.50	\$0.15
Medium	1–2 gallons	\$0.75	\$1.10	\$0.35
Large	Larger than 2 gallons up to 5 gallons	\$1.60	\$2.00	\$0.40

Audit of the PaintCare Fee

To help ensure that the program’s funding mechanism is appropriate to cover the cost of the program, the Maine law requires the proposed PaintCare fee to be reviewed by an independent financial auditor.

The audit report issued by Lydon Fetteroff Corydon, P.A. is provided in the appendix and concluded the following:

In our opinion, the accompanying combined actual and forecast is presented in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCME's combined actual and forecast, in all material respects. Also, in our opinion the ... uniform paint stewardship assessment fee of \$0.50, \$1.10 and \$2.00 by each container size (larger than half pint to smaller than 1 gallon, 1 to 2 gallons, and larger than 2 gallons up to 5 gallons, respectively) charged on all paint containers sold at retail to Maine consumers starting May 1, 2025 is sufficient, within the meaning of the Maine Paint Stewardship Law, to recover, but not exceed, the costs (expenses) of operating the architectural paint stewardship program and maintain financial reserves to operate said program over the multi-year period from January 1, 2024 through December 31, 2027.

PAINTCARE MAINE LLC

**FORECASTED SUMMARY SCHEDULE OF ACTUAL AND
BUDGETED REVENUES, EXPENSES (COSTS) AND
FINANCIAL RESERVE FUND
AND
CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION AND BOARD OF
DIRECTORS OF PAINTCARE MAINE LLC**

For the Actual Period from January 1, 2019 through December 31, 2023 and
Forecasted Period Covering January 1, 2024 through December 31, 2027

PAINTCARE MAINE LLC

FORECASTED SUMMARY SCHEDULE OF ACTUAL AND BUDGETED REVENUES,
EXPENSES (COSTS) AND FINANCIAL RESERVE FUND AND CALCULATED AVERAGE
UNITIZED PAINT STEWARDSHIP FEE FOR THE MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION AND BOARD OF DIRECTORS OF PAINTCARE MAINE
LLC

For the Actual Period from January 1, 2019 through December 31, 2023 and Forecasted Period
Covering January 1, 2024 through December 31, 2027

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(A) Includes actual period from January 1, 2019 through December 31, 2023 and forecasted period covering January 1, 2024 through December 31, 2027



INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT

Marjaneh Zarrehparvar, Manager
PaintCare Maine LLC

Pursuant to PaintCare Maine LLC's (PCME) engagement letter dated on May 31, 2024, we have examined the accompanying forecasted summary of budgeted revenues, expenses (costs), and financial reserve fund prepared by the management of PCME with regard to operating a paint stewardship program required by the Statute 2144, Subchapter 3 of the Stewardship Program for Architectural Paint in the Maine Revised Statutes ("Maine Paint Stewardship Law"), and the calculated uniform paint stewardship assessment fee by container size that PCME recommends to fund that program for the multi-year operational period covering January 1, 2024 through December 31, 2027, and including actual operating revenue and expenses (costs) that PCME has incurred from January 1, 2019 through December 31, 2023 (actual period) and forecasted operating revenues and expenses (costs) from January 1, 2024 through December 31, 2027 (forecasted period), (collectively the combined actual and forecast), including the related summary of significant assumptions and accounting policies (forecast) of PaintCare Maine LLC, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). PCME's management is responsible for preparing and presenting the combined actual and forecast in accordance with guidelines for the presentation of a forecast established by the AICPA. The paint stewardship assessment fee by container size and combined actual and forecast were prepared for the purposes of complying with the Maine Paint Stewardship Law. Our responsibility under the Maine Paint Stewardship Law is to express an opinion that the assessment fee by container size is sufficient to recover, but not exceed, the costs (operating expenses plus reserves) of the paint stewardship program and to recommend an amount for approval for such paint stewardship assessment to the department based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT
(continued)

In our opinion, the accompanying combined actual and forecast is presented in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCME's combined actual and forecast, in all material respects. Also, in our opinion the PCME's uniform paint stewardship assessment fee of \$0.35, \$0.75 and \$1.60 by each container size (larger than half pint to smaller than 1 gallon, 1 to 2 gallons, and larger than 2 gallons up to 5 gallons, respectively) charged on all paint containers sold at retail to Maine consumers from January 1, 2024 through April 30, 2025, and uniform paint stewardship assessment fee of \$0.50, \$1.10 and \$2.00 by each container size (larger than half pint to smaller than 1 gallon, 1 to 2 gallons, and larger than 2 gallons up to 5 gallons, respectively) charged on all paint containers sold at retail to Maine consumers starting May 1, 2025 is sufficient, within the meaning of the Maine Paint Stewardship Law, to recover, but not exceed, the costs (expenses) of operating the architectural paint stewardship program and maintain financial reserves to operate said program over the multi-year period from January 1, 2024 through December 31, 2027.

Emphasis of Matter:

PCME's financial reserves as of December 31, 2027 are forecasted to be below management's internal reserve policy. See **NOTE H** to the examination report for further discussion.

There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying documents contain confidential proprietary business information of PCME and other parties that should not be publicly disclosed. Also, the accompanying combined actual and forecast statement and our report are intended solely for the information and use of the Maine Department of Environmental Protection and the management of the PCME, and are not intended to be used and should not be used by anyone other than these specified parties.



July 19, 2024

PAINTCARE MAINE LLC**SUMMARY SCHEDULE OF FORECASTED PERIODS REVENUES, EXPENSES
(COSTS) AND FINANCIAL RESERVE FUND
FOR THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION
AND BOARD OF DIRECTORS OF PAINTCARE MAINE LLC**

For the Forecasted Period from January 1, 2024 through December 31, 2027

FORECASTED REVENUES

Paint stewardship (recycling) fee - NOTE B	\$ 7,165,991 ⁽¹⁾
TOTAL REVENUES	7,165,991

FORECASTED EXPENSES

Collection, transportation and processing - NOTE C	\$ 4,793,319
Communications - NOTE D	607,709
Corporate overhead allocation - NOTE E	531,088
Salaries and benefits, state reporting fees, travel and administrative - NOTE G	919,673
TOTAL EXPENSES	6,851,789 ⁽²⁾

**CHANGE IN FORECASTED RESERVE BALANCE
BEFORE NET INVESTMENT ACTIVITY**

314,202

Net investment activity - NOTE F

0

**INCREASE IN FORECASTED NET RESERVE BALANCE
FOR THE PERIOD COVERING JANUARY 1, 2024 THROUGH
DECEMBER 31, 2027**

\$ 314,202

BEGINNING RESERVE BALANCE AT DECEMBER 31, 2023

449,410 ⁽³⁾

RESERVE BALANCE AT DECEMBER 31, 2027 - NOTE H

763,612

⁽¹⁾ For the forecasted period from January 1, 2024 through April 30, 2025, retailers will collect a \$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold in Maine. Effective May 1, 2025 through December 31, 2027, retailers will collect a \$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.10 fee for each one to two gallons paint container unit sold, and \$2.00 fee for each paint container larger than two gallons up to five gallons sold in Maine.

⁽²⁾ Includes the forecasted period expenses covering January 1, 2024 through December 31, 2027.

⁽³⁾ Beginning reserve balance includes the cumulative reserve for the program from its inception and includes pre-operational costs incurred prior to the program's implementation.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCME AND THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION**

PAINTCARE MAINE LLC
FORECASTED SUMMARY AND DETAIL SCHEDULE OF ACTUAL AND BUDGETED REVENUES,
EXPENSES (COSTS) AND FINANCIAL RESERVE FUND
FOR THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION AND BOARD OF
DIRECTORS OF PAINTCARE MAINE LLC

For the Actual Period from January 1, 2019 through December 31, 2023
and Forecasted Period Covering January 1, 2024 through December 31, 2027

	Actual Period from January 1, 2019 through December 31, 2023	Forecasted Period covering January 1, 2024 through December 31, 2027	Total
FORECASTED REVENUES			
Paint stewardship (recycling) fee - NOTE B	\$ 953,396	\$ 889,416	\$ 1,842,812
Larger than half a pint to smaller than a gallon	\$ 5,116,283	\$ 5,184,322	\$ 10,300,605
One - two gallons	\$ 1,092,056	\$ 1,092,253	\$ 2,184,309
Larger than two gallons up to five gallons			
TOTAL REVENUES	7,161,735	7,165,991	14,327,726 ⁽¹⁾
FORECASTED EXPENSES			
Collection, transportation and processing - NOTE C	\$ 5,230,663	\$ 4,793,319	\$ 10,023,982
Communications - NOTE D	\$ 146,571	\$ 607,709	\$ 754,280
Corporate overhead allocation - NOTE E	\$ 518,165	\$ 531,088	\$ 1,049,253
Salaries and benefits, state reporting fees, travel and administrative - NOTE G	\$ 984,402	\$ 919,673	\$ 1,904,075
TOTAL EXPENSES	6,879,801	6,851,789	13,731,590 ⁽²⁾
OTHER INCOME			
Net investment activity - NOTE F	\$ 0	\$ 0	\$ 0
FORECASTED NET RESERVE BALANCE - NOTE H	\$ 281,934	\$ 314,202	\$ 596,136
BEGINNING RESERVE BALANCE AT DECEMBER 31, 2023 AND 2018, RESPECTIVELY			
RESERVE BALANCE AT DECEMBER 31, 2027		449,410	1,67,476 ⁽³⁾
		\$ 763,612	\$ 763,612

(1) For the forecasted period from January 1, 2024 through April 30, 2025, retailers will collect a \$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold in Maine. Effective May 1, 2025 through December 31, 2027, retailers will collect a \$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.10 fee for each one to two gallons paint container unit sold, and \$2.00 fee for each paint container larger than two gallons up to five gallons sold in Maine.

(2) Includes actual period from January 1, 2019 through December 31, 2023 and forecasted period covering January 1, 2024 through December 31, 2027.

(3) Beginning reserve balance includes the cumulative reserve for the program from its inception and includes pre-operational costs incurred prior to the program's implementation.

CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY PCME AND THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

PAINTCARE MAINE LLC
CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR THE MAINE DEPARTMENT OF ENVIRONMENTAL
PROTECTION AND BOARD OF DIRECTORS OF
PAINTCARE MAINE LLC

For the Actual Period from January 1, 2019 through December 31, 2023
and Forecasted Period Covering January 1, 2024 through December 31, 2027

FORECASTED CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE

	Unit Fee 1/1/2019 - 4/30/2025	Proposed Unit Fee 5/1/2025 - 12/31/2027	Forecasted Units Sold	Actual Period from January 1, 2019 through December 31, 2023	Forecasted Period Covering January 1, 2024 through April 30, 2025	Forecasted Period Covering May 1, 2025 through December 31, 2027	Total Combined Actual and Forecasted Revenue
		(1)		(2)	(3)	(4)	(5)
REVENUE							
Larger than half a pint to smaller than a gallon	\$ 0.35	\$ 0.50	4,695,406	\$ 953,396	\$ 240,945	\$ 648,471	\$ 1,842,812
One to two gallons	0.75	1.10	12,082,000	5,116,283	1,380,440	3,803,882	10,300,605
Larger than two gallons to five gallons	1.60	2.00	1,266,501	1,092,056	317,645	774,608	2,184,309
TOTAL REVENUES				7,161,735	1,939,030	5,226,961	14,327,726
LESS: EXPENSES				(6,879,801)	(2,130,559)	(4,721,230)	(13,731,590)
CHANGE IN FORECASTED RESERVE BALANCE BEFORE NET INVESTMENT ACTIVITY ALLOCATION				281,934	(191,529)	505,731	596,136
Net investment activity - NOTE F				0	0	0	0
FORECASTED RESERVE (DEFICIT) BALANCE				\$ 281,934	\$ (191,529)	\$ 505,731	\$ 596,136
BEGINNING RESERVE (DEFICIT) BALANCE AT DECEMBER 31, 2018							167,476 (6)
RESERVE BALANCE AT DECEMBER 31, 2025							\$ 763,612

(1) For the actual period from January 1, 2019 through December 31, 2023 and the forecasted period from January 1, 2024 through April 30, 2025, retailers will collect a \$0.35 fee for each pint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each pint container larger than two gallons up to five gallons sold in Maine. Effective May 1, 2025 through December 31, 2027, retailers will collect a \$0.50 fee for each pint container unit sold larger than a half pint up to smaller than one gallon, \$1.10 fee for each one to two gallons paint container unit sold, and \$2.00 fee for each pint container larger than two gallons up to five gallons sold in Maine.

(2) Actual unit sales for the period January 1, 2019 through December 31, 2023 and forecasted unit sales for the period covering January 1, 2024 through December 31, 2027.

(3) Includes actual operating revenues and expense for the periods covering January 1, 2019 through December 31, 2023, subject to the fees collected at retail (\$0.35 fee for each pint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each pint container larger than two gallons up to five gallons).

(4) Includes forecasted operating revenues and expense for the periods covering January 1, 2024 through April 30, 2025, subject to the fees collected at retail (\$0.35 fee for each pint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each pint container larger than two gallons up to five gallons).

(5) Includes forecasted operating revenues and expense for the periods covering May 1, 2025 through December 31, 2027, subject to the fees collected at retail (\$0.50 fee for each pint container unit sold larger than a half pint up to smaller than one gallon, \$1.10 fee for each one to two gallons paint container unit sold, and \$2.00 fee for each pint container larger than two gallons up to five gallons).

(6) Beginning reserve balance as of December 31, 2018 includes the cumulative reserve for the program from its inception and includes pre-operational costs incurred prior to the program's implementation.

CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY PCME AND THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

PAINTCARE MAINE LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2019 through December 31, 2023 and Forecasted Period
Covering January 1, 2024 through December 31, 2027

**NOTE A – SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING
POLICIES**

PaintCare Maine LLC (PCME) is a wholly owned subsidiary of PaintCare, Inc. and was established to operate the paint recycling program in the state of Maine. The accompanying forecasted summary schedules of budgeted revenues, expenses (costs) and financial reserve fund and calculated average unitized paint stewardship fee for the Maine Department of Environmental Protection presents, to the best of management's knowledge and belief, PCME's expected budgeted revenues, expenses (costs) and financial reserve fund and calculated average unitized paint stewardship fee for the Maine Department of Environmental Protection for the forecasted period. The forecast reflects the actual costs to set up, implement, and operate from the program inception through the end of the forecasted period, and include expected costs to operate a paint stewardship (recycling) program required by the Maine Paint Stewardship Law, and the calculated uniform paint stewardship assessment fee by container size that PCME has proposed to fund that program for the multi-year operational period covering January 1, 2024 through December 31, 2027, and including actual operating revenue and expenses (costs) that PCME has incurred from January 1, 2019 through December 31, 2023 and forecasted operating revenues and expenses (costs) from January 1, 2024 through December 31, 2027 (collectively the combined actual and forecast), including the related summary of significant assumptions and accounting policies (forecast) of PaintCare Maine LLC. Accordingly, the forecast reflects management's assumptions as of July 19, 2024, the date of this forecast, of the actual and expected forecasted expenses of operation of the program, and the unitized paint stewardship fee per container size sold at retail that would be needed to cover these expenses and to establish and maintain a financial reserve. The forecast is designed to provide information to the Maine Department of Environmental Protection, regarding the calculation of the paint stewardship fee and whether it is a reasonable amount to cover the expenses of the program and to establish a reserve fund for program expenses as of December 31, 2027. Accordingly, this presentation should not be used for any other purposes. The assumptions disclosed herein are those that management believes are significant to the forecast. The forecasted revenues and expenses are presented on an accrual basis, and there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY
PCME AND THE MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION**

PAINTCARE MAINE LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2019 through December 31, 2023 and Forecasted Period Covering January 1, 2024 through December 31, 2027

NOTE B – PAINT STEWARDSHIP (RECYCLING) FEE REVENUE

The Paint Stewardship (Recycling) Fee collected will provide the revenue to fund the expenses for the paint stewardship (recycling) program. Based on the recalculation of the fee required, retailers will collect a \$0.35 fee for each paint container larger than half a pint up to smaller than one gallon, \$0.75 fee for each one to two-gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold beginning January 1, 2024 through April 30, 2025 (current, effective approved fee). Effective May 1, 2025, retailers will collect a \$0.50 fee for each paint container larger than half a pint up to smaller than one gallon, \$1.10 fee for each one to two-gallons paint container unit sold, and \$2.00 fee for each paint container larger than two gallons up to five gallons sold beginning May 1, 2025 through December 31, 2027 (see table below).

Management estimated the stewardship fee revenue for the forecasted period by making certain assumptions. The significant assumptions made by management were the estimated population growth of the state of Maine, per capita paint sales, and paint container size purchasing trends in the state of Maine. COVID-19 had an impact on the sale of architectural paint, this increased stewardship fee revenue in 2020 by 24% over 2019. This trend continued in 2021, and sales revenues began to trend back towards pre-COVID-19 levels in 2022 and 2023. Therefore, the forecasted period beginning in 2024 is modeled after the results of 2022 and 2023, the most recent “normal” years. Using data from the United States Census, the historical population growth in the state of Maine from 2020 through 2023 was an increase of 0.76%. Management does not expect the population growth rate in the state of Maine to have a significant impact on sales per capita during the combined actual and forecasted period.

PCME is funded by a fee paid by paint manufacturers for each can of paint they sell in the state. Manufacturers pass the fee to retailers, who then apply it to the price of paint. Stores can choose whether or not to show the fee on their receipts. The fee will be based on the size of the container as follows:

<u>Container Size</u>	<u>Fee 1/1/2024 – 4/30/2025</u>	<u>Fee 5/1/2025 – 12/31/2027</u>
Larger than half pint up to smaller than one gallon	\$0.35	\$0.50
1 to 2 gallons	\$0.75	\$1.10
Larger than 2 gallon up to 5 gallons	\$1.60	\$2.00

Revenue from the paint stewardship fee is estimated to be \$7,165,991 and \$14,327,726 for the forecasted period, and combined actual and forecast, respectively.

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PAINTCARE MAINE LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2019 through December 31, 2023 and Forecasted Period Covering January 1, 2024 through December 31, 2027

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES

Units collected and collection expenses:

Program products are architectural paints in containers no larger than five gallons in size. They do not include industrial coatings, coatings used for original equipment manufacturing, and other specialty coatings.

In the development of management's paint collection infrastructure expense model for the state of Maine for 2024 through 2027, management considered actual costs for running the program from 2019 through 2023, and the following factors and assumptions:

- Household hazardous waste (HHW) facilities and events:
HHW facilities and events provide their residents the convenience of dropping off other products at the same time as paint, and they often have regular customers that have used their programs for many years.
- Transfer stations:
Transfer stations provide their residents the convenience of dropping off other products at the same time as paint, and they also have regular customers that have used their facilities for many years. As of December 31, 2023, 46 transfer stations were participating as drop off sites.
- Retail stores:
Retailer participation as a paint drop-off site is voluntary. PCME has identified approximately 325 paint retailers in Maine, of which approximately 239 stores were identified as potential drop-off sites. As of December 31, 2023, 82 of these retailers were participating as drop off sites.
- Material reuse stores:
Sites may operate reuse areas in which they place leftover paint that was brought to their site in good condition to be given away or sold "as is" to their customers and local community. This paint management method represents the highest, best use of paint and typically reduces program costs by avoiding the transportation and processing costs that would otherwise be required to manage the paint.

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**NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES
(continued)**

- Direct pick-up or large volumes:

Large Volume Pick-up (LVP) Service is free to the customer and will be offered to Maine painting contractors, other businesses, organization, and households with large volumes of paint within a minimum quantity, currently 100 gallons. The service allows approved users to have paint picked up at their business or home.

Recurring Large Volume Pick-up (RLVP) Service is a free service also offered to painting contractors and other businesses and organizations that generate large volumes of paint on an on-going basis.

Collection, Transportation and Processing expenses:

Expenses to operate the program and various key assumptions include:

- a. Paint processing: This is the most significant expense of the program. PCME contracts for processing and proper end-of-life management of postconsumer paint collected in the program. Expenses are forecasted based upon signed vendor agreements for processing paint. See further details on transportation expenses below.
- b. Paint transportation: These expenses include the cost of transporting paint bins from paint drop off sites. See further details on transportation expenses below.
- c. Collection supplies and support: These expenses include the cost of paint collection bins, spill kits, PaintCare event expenses, labor to assist LVP sites to pack their paint. As of December 31, 2023, there are 129 total drop off sites. The number of bins at each drop off site will vary depending on the relative capacity of the stores. Retail drop-off sites and transfer stations receive site visits on a regular basis.

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NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES (continued)

Transportation and processing expenses:

Transportation and processing costs include fees paid to vendors to (1) transport of bins from drop-off sites to the recycler's processing facility, and (2) processing paint for recycling and proper end-of-life management. As of the date of this audit report, PCME has engaged two transporters, which provides management reasonable estimates of transportation and processing expense. Under the terms of these agreements, transportation costs are computed based on processing costs computed by weight, these estimates were used for projecting this expense over the forecasted period.

Management has made certain assumptions to develop the forecasted collection, transportation and processing (C, T, P) expenses. The forecasted C, T, P costs for 2024, 2025, 2026, and 2027 are projected to increase in a similar manner as 2022 and 2023. Forecasted C, T, P costs are expected to increase 4% in 2024 and 2% per year in 2025 – 2027. Additionally, forecasted C, T, P costs are based on actual costs, signed vendor contracts, trends, and comparison to the prior periods and budgets.

The forecasted collection, transportation, and processing costs are estimated to be \$4,793,319 and \$10,023,982 for the forecasted period, and combined actual and forecast, respectively.

NOTE D – COMMUNICATIONS EXPENSES

Communications:

These expenses include advertising, printing and distribution of brochures and other outreach materials, conferences and memberships, and the awareness survey, with PCME performing education and outreach efforts to promote the paint stewardship program in Maine. PCME will utilize various outreach methods, including print materials, digital materials, and social media to promote the Maine paint recycling program to a widespread audience and increase overall awareness of the program. Management estimated marketing outreach, point of sale, and advertising costs based on anticipated costs in 2024 – 2027. Beginning in 2025 through 2027, PCME is expected to incur communication costs of approximately \$200,000 per year to provide public education and outreach expenditures in the state of Maine.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2019 through December 31, 2023 and Forecasted Period Covering January 1, 2024 through December 31, 2027

NOTE D – COMMUNICATIONS EXPENSES (continued)

The total actual and forecasted communications expenses for the actual and forecast are estimated to be \$607,709 and \$754,280 for the forecasted period, and combined actual and forecast, respectively.

NOTE E – CORPORATE OVERHEAD ALLOCATION

Overhead expenses are those that are not specific to Maine but support all PaintCare state stewardship programs. These costs include:

Administrative and corporate staff, back-office support (information technology, human resources, legal, accounting, and government affairs), insurance, data management systems, annual financial audit, software licenses, professional services for corporate or organization-wide matters, occupancy, general communications, and other supplies and services that support all PaintCare programs.

Corporate expenses are allocated among all PaintCare state stewardship programs based on their relative populations in the most recent census and began to be assessed in Maine state about six months before the program started. Maine represents 1.50% of the combined population of all states participating in the PaintCare programs. Total corporate overhead costs allocated to the states is expected to increase approximately 4% per year. The portion of overhead costs allocated to Maine are estimated to be \$531,088 and \$1,049,253 for the forecasted period, and combined actual and forecast, respectively.

NOTE F – INVESTMENT INCOME

Beginning in December 2014, PaintCare invested a portion of its accumulated surplus in a financial portfolio. PaintCare maintained its investments for all programs in a single portfolio. Claim of ownership in the investment portfolio was shared by all programs and allocated among the programs based on relative net asset balances. In 2015, to better separate each state program in terms of liability and financial independence, PaintCare began implementing a plan to transition operations for each program from PaintCare Inc. to a wholly-owned subsidiary company dedicated to managing that particular program. By January 2016, PaintCare had formed sole-member limited liability companies for various states and established individual bank accounts for each of those new companies. At this time, these programs moved their net asset balances, including gains earned from the investment portfolio, into those individual bank accounts and ended their programs' participation in an investment portfolio. PaintCare Maine LLC does not have any investments as of December 31, 2023 and is not expected to have any investments/investment income during the forecasted period 2024 – 2027.

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PAINTCARE MAINE LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

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NOTE G – SALARIES, STATE REPORTING, TRAVEL AND ADMINISTRATIVE

Total actual and forecasted salaries, state reporting, travel, administration (including legal costs), include costs required to run the paint stewardship program and include the following:

Direct expenses are allocated to Maine's paint stewardship program based upon direct effort where they can be specifically identified. These costs include:

- a. Personnel: These expenses include the cost of staff working directly to implement and run the program. Management assumes the forecast period will include approximately 2/3rd of the salary and benefits of one full-time employee. Salary and benefits are estimated to be \$433,140 and \$886,121 for the forecasted period, and combined actual and forecast, respectively.
- b. State oversight: This expense is paid by PaintCare to the Maine Department of Environmental Protection for oversight of the paint stewardship program. Maine state reporting fees are approximately \$84,000 per year. The estimated state oversight costs are \$336,000 and \$729,957 for the forecasted period, and combined actual and forecast, respectively.
- c. Travel: Management has developed forecasted travel expenses with the assumption that the program manager will visit 100% of the stores twice per year. Forecasted travel costs also include travel to paint collection events and conferences/meetings throughout the year. These costs will include airfare, lodging, mileage and meals, and are estimated to be \$61,228 and \$115,276 for the forecasted period, and combined actual and forecast, respectively.
- d. Administration: These expenses include supplies, printing, subscriptions and other general expenses that are forecasted based on other state programs. Costs for administrative expenses are forecasted to be \$7,175 and \$52,787 for the forecasted period, and combined actual and forecast, respectively.
- e. Professional services: These expenses include the legal costs for regulatory review and other logistical, professional support. Management modeled forecasted professional fees on the actual costs of other state programs. Costs for professional services are forecasted to be \$82,130 and \$119,934 for the forecasted period, and combined actual and forecast, respectively.

The total actual and forecasted salaries, state reporting, salaries, administration, and legal expenses for the actual and forecast are estimated to be \$919,673 and \$1,904,075 for the forecasted period, and combined actual and forecast, respectively.

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PAINTCARE MAINE LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

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NOTE H – OPERATING (FINANCIAL) RESERVE FUND

The PCME financial policies require an operating (financial) reserve to sustain the program in times of either higher than expected paint collection volumes resulting in higher expenses, lower than expected paint sales resulting in less revenues, or a combination of the two. PCME management and staff use prudent financial management in allocating net asset funds between unrestricted (necessary for working capital needs and current operations) versus board-designated financial reserves (necessary for the long-term viability of the recycling program). We also note that unlike a governmental entity, PCME cannot bridge cash flow shortfalls by accessing additional working capital (cash) or other financing from other governmental sources. Therefore, PCME has taken the position that having operating cash on hand, as well as a reserve, is fiscally responsible. PCME's reserves policy establishes a target reserve as a percentage of annual expenses and sets a minimum and maximum threshold. PCME currently has a target reserve of 100% of annual expenses (twelve-months of operating expenses), with a minimum threshold of 75% (nine-months) and a maximum threshold of 125% (fifteen-months).

Management estimated that the increase in forecasted paint stewardship fee to \$0.50 for each paint container larger than half a pint up to smaller than one gallon, \$1.10 fee for each one-gallon to two-gallons paint container, and \$2.00 fee for each paint container larger than two gallons up to five gallons sold, effective May 1, 2025 through December 31, 2027, will result in the net reserve fund at December 31, 2027 to be forecasted at \$763,612, which is 42% of twelve-month's of 2027 estimated operating expenses of \$1,799,777. This amount is below management's target reserve policy minimum threshold of 75%. A reassessment of the paint stewardship fee in future years in the state of Maine may be necessary in order to allow PCME to have sufficient financial reserves to be in accordance with management's threshold policy for years subsequent to December 31, 2027.

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