

Reading Municipal Light Board of Commissioners

Regular Session  
230 Ash Street  
Reading, MA 01867  
December 10, 2003

RECEIVED  
TOWN CLERK  
READING, MASS.

Start Time of Regular Session: 7:49 p.m.  
Recess Time of Regular Session: 8:50 p.m.  
Reconvene Time of Regular Session: 8:53 p.m.  
End Time of Regular Session: 9:25 p.m.

2004 FEB 19 P 4: 01

Attendees:

Commissioners: Hughes, Pacino, Soli, Herlihy and \*Ensminger

RMLD Staff: Messrs. Cameron and Fournier  
Ms. Antonio

CAB: Mr. Carakatsane

\*Mr. Ensminger left the meeting at 8:12 p.m.

Chairman Pacino called the meeting to order at 7:49 p.m.

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners December 10, 2003 was not broadcast live at the RMLD's office at 230 Ash Street, Reading, MA.

This was due to a scheduling conflict. This meeting is being video taped for distribution to the community television stations in Reading, North Reading, Wilmington and Lynnfield.

Mr. Pacino stated he would like to take things out of order on the agenda.

**Action Items**

**General Manager's Agreement**

Mr. Pacino gave a presentation relative to the General Manager's Agreement. Mr. Pacino pointed out that he is available to make the General Manager's Agreement presentation. If approved, he is available to make this presentation anywhere, any place and anytime upon request. Mr. Pacino added the two members of the Subcommittee are himself and Mr. Soli. Mr. Pacino thanked Mr. Soli as a fellow Subcommittee member for all his hard work.

Mr. Pacino went over the process, which took place. The members of the Subcommittee were appointed by the Board and met with the General Manager to work through the original draft. The original draft was then submitted for comment from the CAB, Board of Selectmen of the four towns in the service territory, through the CAB members and any interested parties. Mr. Pacino pointed out fifty-two comments were submitted via this process. Mr. Pacino noted the Subcommittee reviewed the comments and made subsequent changes. The Subcommittee after making the changes had it reviewed by legal counsel. The legal counsel who reviewed the contract was Ellen Kearns of Epstein, Becker and Green, P.C. Mr. Pacino added Ms. Kearns is a Reading resident. The legal counsel is very active in compensation packages for executives at major companies. Ms. Kearns works in that area therefore she is a good match to review the document. Mr. Pacino added the Subcommittee directly contracted Ms. Kearns. Mr. Pacino pointed out that the General Manager retained and paid for his own legal counsel on this, the Department did not pay for it. Mr. Pacino noted the Subcommittee then did several final reviews now and is submitting it for comments and approval tonight.

Mr. Pacino then turned to the sections of the Agreement. Mr. Pacino noted Section 1 is the Employment whose duties are under Chapter 164, the Reading Home Rule Charter and the direction of the RMLB and RMLD policies. Mr. Pacino added the Agreement is in conformity with Article 7, which Town Meeting has approved. In Appendix B of the Agreement there is a list of items, which need to be completed annually, that the General Manager has to complete. Mr. Pacino noted there is also a clause if each party fails to agree on the list by the Board or the Manager, Section 9, which includes termination clauses, will be implemented.

## Action Items

### General Manager's Agreement

Mr. Pacino commented that Sections 2 and 9 are the terms of the Agreement; February 7, 2003 to February 6, 2006, this is the Agreement. The Agreement can only be terminated for four things: for cause, disability, death and notice of the RMLB or the General Manager. Mr. Pacino noted if the Board should want to remove the General Manager they must give him six month's notice under the Agreement. It was felt it was needed for two reasons: first off their needs to be time to find a replacement and get that person in place as well as the protection of the General Manager. The Board is elected by the voters but has seen other Boards where it becomes a political situation. The General Manager would have to give the Board a six months notice. Mr. Pacino added that what was also put in is that the six-month time period could be extended or lessened by mutual agreement of both parties. Mr. Pacino used the example that if the General Manager were to retire the Board could ask him to stay on until a suitable replacement is found thus creating an amicable separation. Mr. Pacino added under Section 9 the Agreement would fully terminate on notice by the Board not to renew the Agreement. That is how the Agreement would terminate either under Section 9 or the notice not to renew: The notice to not renew must be six months before February 6, 2006. Termination falls under Section 9 with the four areas or by giving the General Manager six months. If the Agreement is not terminated then it renews for a one-year term and will continue on until Section 9 or the six-month term not to renew is implemented. Mr. Pacino noted under Sections 3 and 4 there is a \$50,000 employee bond requirement with the cost being borne by the RMLD. Mr. Pacino pointed out there will be Annual Performance Reviews in accordance with RMLD Policy 19, Board of Commissioners. The compensation is found in Section 5 with the annual salary being set at \$139,750 with its effective date being February 7, 2003. The average Manager's salary for a utility this size ranges \$140,000 to \$150,000. Under Section 5 the salary will be adjusted annually based on the annual review. The sick pay is one hundred twenty hours annually which can be accumulated and paid out at termination. The cost of this benefit is \$7,500 per year. The Subcommittee left this in place because it represents a trade off on the salary as it is below the range of General Manager's in this area. Also, the Subcommittee is grandfathering what the General Manager is now presently receiving. There is also a cost savings on the retirement benefits. If this were to be moved into the annual salary it would increase the General Manager's benefit. The vacation accrual is twenty-five days per year with a five day carry over cap. Personal days, holidays, funeral leave and pension are the same as all other RMLD employees. The deferred compensation is a lesser of three percent of the gross or \$5,000. The RMLD Board must approve all Overnight Travel for the General Manager. Mr. Pacino noted this came up in the Inspector General's Report relative to the General Manager traveling out of state. The insurance coverages are the same as all other RMLD employees except the Manager's expense will be paid in full the costs of the premiums except for the co payments due to providers. The cost of this is \$11,500. The reason this has been done is the trade off for the annual salary. Mr. Pacino pointed out there is no personal liability of the RMLD Board of Commissioners. Mr. Pacino added there is an Indemnity Agreement and Performance Review items which are Index A and B. Mr. Pacino pointed out the Ad Hoc recommendations that the RMLD appoint the General Manager and approve an Agreement (not a contract) dealing with terms and conditions of employment, and that the General Manager serve at the pleasure of the Board. Mr. Pacino noted the Subcommittee has accomplished these two with this Agreement so it is in compliance with Article 7 of Town Meeting. Mr. Pacino concluded that the Subcommittee recommends the proposed Agreement as presented be approved and adopted.

Mr. Pacino noted the Commissioners should all have revised Agreements dated December 10 and polled those in attendance for questions and comments.

Mr. Ensminger asked Mr. Pacino if he wanted to go over the two corrections.

Mr. Pacino did point out three changes to the Agreement, Page Two "upon termination of this Agreement for any reason" there should be a comma there and the words "except for cause," in 6A the rest of the line should read, "Employee shall be entitled to payment." Page Four in 9B the very last line "employee shall not be entitled it should read only be entitled. Page Ten, Item Eight; lower case cab should be CAB.

Mr. Hughes noted after thirteen years of service with the RMLD Board of Commissioners he was finally selected for Board Chair a position he was most qualified to hold. Immediately upon assuming command on a seriously floundering ship he was tasked with two serious tasks. One was replacement of the General Manager and the establishment of a Search Committee. Mr. Hughes chaired the Search Committee, which represented years in which concerns could be voiced. Mr. Hughes noted he would go on record as one member of the Search Committee to say Vinnie Cameron was selected as the best overall qualified for his nomination for General Manager.

## Action Items

### General Manager's Agreement

Mr. Herlihy wanted to thank the members of the Committee for all their hard work for a number of months. Mr. Herlihy added by and large they have been able to capture what the Ad Hoc Committee has had concerns about. This has been a public process and it was important that a system has been set up the General Manager is not above or below any of the policies at the Department and is reflected in the contract. Mr. Herlihy added the salary is in the average range it is a high salary but that is good. With high salary come high expectations. Mr. Herlihy hopes the Board keeps those high expectations and believes the General Manager can meet them. Mr. Herlihy is willing to support this Agreement.

Mr. Ensminger also wanted to thank the Subcommittee for their many months of work. Specifically Chairman Pacino for his patience, diligence and listening to all points of view aired from all the Board members and attempting to get a unanimous Supreme Court decision which is a commendable function of the Chief Justice. Mr. Ensminger wanted to thank Mr. Cameron for his patience and looked forward to approving this. Mr. Ensminger added he has done his own due diligence on the numbers and the trade offs were fair that were put forward that Mr. Pacino has described.

Mr. Soli made a motion seconded by Mr. Hughes to approve the General Manager's Agreement, December 10, 2003, Revision as amended, as presented based on the recommendation of the General Manager's Agreement Subcommittee.

**Motion carried 5:0:0.**

Mr. Carakatsane mentioned the CAB reviewed an earlier draft, which had a couple of comments and forwarded these. As a Committee the CAB has not discussed the General Manager's Agreement. Mr. Carakatsane this evening is looking at it from solely as Lynnfield representative he understands how the Subcommittee and Board have gotten to this stage and appreciates it. As a representative from Lynnfield Mr. Carakatsane is not as comfortable with the numbers and benefits package. Mr. Carakatsane could be shown other items but they appear to be excessive when compared to both other municipal light companies but more importantly when you group that in with other municipal chiefs in terms of public officials within municipal government. Mr. Carakatsane added any Town Manager would love to have this package however will never get it. Mr. Carakatsane pointed out it is fifty percent higher than any Town Manager he knows in the area. That is just one reservation. Mr. Carakatsane noted there are two sides to that. One that if there is somebody that is going to get this sort of benefit package it is probably the General Manager that is now in place. It is not necessarily uncalled for but if the argument is out there that it is comparable he differs with that substantially. Mr. Carakatsane can however understand how the Board and Subcommittee have gotten to this stage in terms of process and coming up with these numbers. Mr. Carakatsane is not as wedded as a representative to the benefits package is in place that is correct and comparable within local governments or other municipals. It is what has been going on here and he respects the process. It is a trade off.

Mr. Pacino added for clarification this Agreement is only between the Board and the employee (referring to the General Manager). The language is found in the first paragraph and is to be interpreted as only between the Board and the employee no other parties.

Mr. Hughes noted he can somewhat agree to Mr. Carakatsane's remarks but there is a vast difference between a Town Manager and his collateral duties which he is expected to perform than with the General Manager of a large four Town Municipal Light Department. There are two different job requirements and prospects. There is no comparison as far as he can see as a salary being equal just being Town Manager and General Manager.

Mr. Pacino wanted to thank Mr. Soli as he did a quite a bit of work on this and found the attorney. Mr. Pacino also wanted to thank the attorney for her work on this and the Board as well as the General Manager. Mr. Pacino added it has been a long process to get to this point.

Mr. Cameron stated he wanted to thank the Board for getting this done too.

Mr. Hughes inquired how long has this process taken?

Mr. Pacino replied the former General Manager left in January 2002. Almost at the two-year period. The process between the search, the Subcommittee and Agreement has been ongoing since that point.

Mr. Ensminger left the meeting at this point.

**Action Items**

**Presentation Pension Trust and Sick Leave Buyback (Larry Stone, Stone Consulting, Inc.)**

**Actuarial Valuation (Stone Consulting, Inc.)**

Mr. Pacino noted in order to accommodate Larry Stone's presence items on the agenda would be taken out of order.

Mr. Fournier introduced Larry Stone of Stone Consulting, Inc. and he will be presenting the Pension Trust Actuarial Valuation and Sick Leave Buyback.

Mr. Stone went over the Retirement Pension Plan. The contribution in the 2001 valuation was \$170,000 now it is gone up to \$628,000. The big jump is almost totally due to poor investment return. Mr. Stone pointed out that it was not worse than what everyone else was experiencing. It was a bad year for equities. The assets that are used to fund these liabilities are composed of two pieces. One is a certain portion of the Town's retirement assets, which they allocate to the RMLD, and there is an additional amount that the RMLD has been using to pay for this in order to build up a reserve. Mr. Stone noted the main problem was no doubt in the Town's piece of the retirement because they invested in equities. This valuation was through January 1, 2003 from January 1, 2001. It does not include any of the positive results of the equities. Mr. Stone also noted a small portion of this \$58,000 is attributable to the changes in the assumption. Mr. Stone explained the assumption changes were due to the fact the last year valuation assumption return on assets was 7.75% to 7.25%, which reflects, lower expectation and inflation. Mr. Stone also noted they have lowered the salary increases from 5.75% to 4.75%. Both of those numbers might seem high but those are on an individual basis. This not only includes across the board increases but any promotional opportunities, and also including step and merit increases. There are other small tweaks in the assumptions but nothing that is particularly important. At one point the Department has seen a significant increase in costs. At one time it was 1% of pay now it is 4% of pay, now it is almost 12% of pay. These numbers are typically lower than what most Towns use. Mr. Stone went into greater detail to the Subcommittee.

Mr. Pacino asked of the Department how much is budgeted for?

Mr. Fournier replied the 2003 Budget has \$225,000 for the annual contribution to the Pension Trust.

Mr. Pacino inquired how would the shortfall be made up for the contribution?

Mr. Fournier replied the Board would have to approve the override from the \$225,000 to the \$628,384. The funds would be paid through the Operating Fund.

Mr. Pacino added this could affect the Rate Stabilization Fund.

Mr. Fournier noted depending on how Net Income falls out and the eight percent return at the end of the year.

Mr. Hughes gave an update on the Subcommittee meeting, which was held prior to the meeting. Mr. Hughes added Mr. Soli was present as well. Mr. Hughes noted that Mr. Fournier had recommendations.

Mr. Hughes made a motion seconded by Mr. Soli that the Board accept the Pension Trust Actuarial Valuation as of January 1, 2003 from Stone Consulting, Inc., on the recommendation of the Pension Trust Subcommittee.

**Motion carried 4:0:0. Mr. Ensminger was not present for this vote.**

Mr. Soli had a question that if the Board approves the transfer, this is a two-year commitment?

Mr. Stone replied yes. Mr. Stone added the Department has traditionally performed Actuarial Valuations; every two-years unless there is a radical change in payroll the level would be the same. Mr. Stone noted that GASBY have their provisions, which requires this type of valuation every two years. Mr. Stone added there is no great need to do this every year.

Mr. Pacino inquired how would this affect the Cost of Service Study? Mr. Pacino added should there be a valuation performed as of January 1, 2004 as a follow up question.

**Action Items**

**Presentation Pension Trust and Sick Leave Buyback (Larry Stone, Stone Consulting, Inc.)**

**Actuarial Valuation (Stone Consulting, Inc.)**

Mr. Cameron replied he believes there is a little over \$200,000 in the budget for 2004.

Mr. Fournier replied \$225,000.

Mr. Cameron commented the Department should be raising this by \$400,000. Mr. Cameron would bring that back to the Board as a recommendation for the 2004 Budget as it is a substantial amount. Mr. Cameron will also get it allotted into the Cost of Service Study.

Mr. Pacino pointed out the market has gone up in 2003. This is dependent on the market. Mr. Pacino commented should the Department be going back to perform a valuation as of January 1, 2004 as this could make a big difference as to what the contribution should be.

Mr. Cameron pointed out interest rates drive this study to a certain point.

Mr. Pacino replied yes, but it would lower your contribution.

Mr. Stone added you could lower your contribution. Mr. Stone if a 2004 valuation were to be performed this is based on a rough estimate it could be reduced by \$150,000. Mr. Stone pointed out the question he would like to ask is if the market had gone down again would the Board be asking him to perform a January 1, 2004 valuation?

Mr. Pacino replied probably not.

Mr. Stone commented that is one of the things you see a pattern and follow it. Mr. Stone does not think the Department will be grossly over funding this if you were to put that money in. Mr. Stone added it would not be the worst thing if another valuation were performed overall it is not something that cries out to be done.

Mr. Soli added perhaps the Subcommittee could meet again and mull over this.

Mr. Herlihy inquired about the term asset smoothing method he is not familiar with it?

Mr. Stone explained that there are various actuarial valuation asset methods where you endeavor to smooth out the volatility of your assets. The basic concept is that you take the gains and losses and sort of try to make it so it is smooth growth. A real common one would be you assumed an eight percent rate of return and you earn twelve percent, taking the four percent you would recognize the one percent for four years. If you had a loss of four percent you would recognize the loss at one percent every year. The Town is using that type of method. In their July 1, 2003 valuation there was a market value of assets of \$55 million and they used an actuarial value of assets of \$63 million. There is the \$8 million of losses they have not recognized yet and that will find its way into their funding schedule and will increase their cost.

Mr. Pacino added they are saving a contribution now and potentially have to pay it somewhere down the road after the market goes up.

Mr. Stone agreed that is sort of the concept. Mr. Stone likes smoothing methods and overall is a good thing. Mr. Stone has adopted this method for many of his clients. Mr. Stone pointed out it is difficult to have smoothing methods when all the years are down. You are not smoothing much of anything. You need gains. Mr. Stone added if the cash flow were too difficult to absorb it may be a method to use with the idea of saying at least you know there are better gains in calendar 2004 versus calendar 2003. It would soften the blow and was an alternative Mr. Stone mentioned to the Subcommittee.

## Action Items

### Presentation Pension Trust and Sick Leave Buyback (Larry Stone, Stone Consulting, Inc.)

Mr. Herlihy had one other question if a study was performed for January 1, 2004 would the Board have to wait until next December to get it?

Mr. Stone replied no it was unfortunate. It would be done quite a bit earlier.

### Sick Leave Buyback (Stone Consulting, Inc.)

Mr. Hughes made a motion seconded by Mr. Soli to approve that the RMLD Board of Commissioners contribute \$628,384 into the RMLD Pension Trust for calendar year 2003 based upon the calculation from the January 1, 2003, Pension Trust Actuarial Valuation by Stone Consulting, Inc., on the recommendation of the Pension Trust Subcommittee.

**Motion carried 4:0:0. Mr. Ensminger was not present for this vote.**

Mr. Stone then proceeded to the Actuarial Valuation of the Sick Leave Buyback plan. Mr. Stone noted the funding has accumulated assets to pay off benefits as they come due when employees terminate and the pay out as the sick time comes due. Mr. Stone said the actual accrued liability is about \$1.9 million and the Department has assets of \$2.3 million and is over funded by \$400,000. Mr. Stone noted this translates into the sick time that is accrued already which employees have in their bank that is worth \$1.9 million on an accrued liability basis. Mr. Stone noted it is fully funded and you have extra money. Mr. Stone pointed out that it does not mean it will pay for this benefit forever because each year employees are accruing additional benefits. The accrued liabilities are the past benefit, past service and past sick pay. Mr. Stone added as a matter of comparison the last time this was valued was January 1, 1999, and there was a \$200,000 over funding. The assumptions that were used were a 3.8% interest rate or 4.75% salary increase. The salary increase was used on the pension side but the interest is much lower than is based on the asset mix. Mr. Stone noted the assets are completely invested in fixed income of short duration and cash. Mr. Stone said this has generated a much lower rate of return. This was based on the asset allocation of January 1, 2003. One of the other major assumptions is that nine days would accrue annually to individuals, in the plan. Mr. Stone noted they did look at the experience for the individuals that are current employees. They accrued 6.2% number of days in 2002, 2001 it was 9.4%, 2000 it was 9.6% in 1999 it was 9.5%, and in 1998 it was 7.7%. The median is about nine days. In the 2002, there were significant uses of sick time. The assumption bears looking at in 2003 to see whether it was an anomaly or are employees going to be accumulating less sick time. The assumptions are similar to the pension valuations. Mr. Stone noted as far as funding goes there is couple of different ways of going about this. It can be said you are over funded so you can go with a contribution holiday. The normal cost is about \$191,000 annually as of January 1, 2003, which is adjusted to the end of the year. Since there is \$400,000 excess funding you can amortize the over funding over three years. Mr. Stone noted the total payout since 1992 is about \$700,000. The investments are held by the Town Treasurer and are extremely conservative the way they are invested.

Mr. Pacino inquired what kind of cash, money market accounts?

Mr. Fournier replied it is in the reserve cash.

Mr. Stone replied the need for this liquidity seems unlikely because there is more cash than payouts for the life of the program. Mr. Stone had recommended this in 1999 as well. Mr. Stone noted the Department has improved its rates of return therefore in the long term the contributions required would go down. Mr. Stone noted this is a rich benefit and has been looked at other communities in the Commonwealth and is being capped. Mr. Stone commended the Board for having this funded so it is not burdensome.

Mr. Pacino clarified, that is for everyone in the entire company.

Mr. Fournier commented at the end of the year everyone's sick leave buyback calculation and is shown on the liability section of the balance sheet. Mr. Fournier noted when the plan was implemented the Department would have the cash reserves set aside to make it as self funding as possible to lessen burden of the annual cost of the plan. Mr. Fournier further added they perform the study every three or four years to see where the Department stands.

Mr. Stone added there were no contributions made in the last two years but in exchange for that the Department has been paying benefits not out of the trust not from cash so they wash each other.

**Action Items**

**Presentation Pension Trust and Sick Leave Buyback (Larry Stone, Stone Consulting, Inc.)  
Sick Leave Buyback (Stone Consulting, Inc.)**

Mr. Cameron noted the fact that it appears it has been over funded due to the fact the Department has made payments out of the Operating Fund. The Department has budgeted \$174,000 this year depending what is done with the Pension Trust that can be an offset.

Mr. Herlihy inquired in terms of looking at the workforce does the Department have a listing of ages in as much in the next five years who will retire?

It was pointed out to Mr. Herlihy this if found in the pension side.

Mr. Stone noted it is almost identical groups.

Mr. Hughes added that Mr. Stone has been of great help to him as one Board member as he presents a good work-study in understandable language. The Department should work with him on his suggestion.

Mr. Soli inquired in 2003 on what remains will be there be any money that goes into the sick leave program or have we done all there is to do?

Mr. Fournier replied that the Department is waiting for the Actuarial to be completed if approved and accepted the contribution will be made in December on whatever amount the Board decides on.

Mr. Stone added in the past you have contributed the normal cost with the idea it was trying to develop an amount so eventually it would be fully funded so you do not even have to pay the normal cost. The interest would generate enough interest to cover this. Mr. Stone noted there is no right answer.

Mr. Soli asked we are over funded, correct?

Mr. Stone replied yes. However it covers the past liabilities not the future.

Mr. Pacino inquired about the sick leave buyback for this year. Where do we pay this?

Mr. Fournier replied the payouts are in January and July.

Mr. Pacino added the Department must have paid something out in 2003.

Mr. Fournier replied employees have eighteen months from the last day of work to take the payment.

Mr. Pacino commented where he is going with this is that the Department is asking for \$198,000 but you have already paid some against this because you have not put that in the trust, it is being paid into operations. Mr. Pacino noted the \$198,000 would be offset by what you paid out to date.

Mr. Fournier noted when the Board created this it was to make this self-funding as possible. The extra money was put in via the Actuarial otherwise it would be subjective. Mr. Fournier added by having the Actuarial performed it gives the Department the basis for which the annual contribution can be made to achieve the goal of the plan. Mr. Fournier reiterated what Mr. Stone suggested. The Department can put in \$0-\$190,000 whatever the Board chooses.

Mr. Pacino noted to round the number to \$200,000 in and you could take it out to reimburse the Department. Mr. Pacino inquired how much has the Department has paid?

Mr. Fournier replied he has to go into his office to get this amount and can do it now. Mr. Fournier the two payments for 2003 would already have been made. The next payment will be next month.

Mr. Pacino inquired what does the Department want the Commission to do here?

**Action Items**

**Presentation Pension Trust and Sick Leave Buyback (Larry Stone, Stone Consulting, Inc.)**

**Sick Leave Buyback (Stone Consulting, Inc.)**

Mr. Cameron replied what he would like to do is to try to offset the two, the Pension Trust and the Sick Leave Buyback for 2004. Mr. Cameron noted the Department should see what it paid out in 2003. Mr. Cameron does not see where the Department should be funding something that is over funded.

Mr. Cameron pointed out if he can help it he does not want to go back and change the Operating Budget. Mr. Cameron noted the Department does have reserves and wants to get to \$6.5 million. Mr. Cameron noted if the Department does create a shortfall in 2004 because of the larger payment of the Pension Trust then the Department can offset that through the Rate Stabilization Fund.

Mr. Pacino commented the Commission does nothing.

Mr. Cameron replied yes.

Mr. Soli commented on page 6 it shows \$700,000 in cash in the MMDT that gives 1% and in 2002 there was \$150,000. Mr. Soli added it looks like the \$700,000 in cash it is a bit much. Mr. Soli questioned is there some way that issue can get working?

Mr. Fournier replied he could have the Town Treasurer invest \$500,000 in a higher interest-bearing vehicle.

Mr. Stone added as long as it is liquid there is no real problem. Mr. Stone noted you would know what you have to pay out beforehand and it does not take long to sell them.

Mr. Carakatsane noted that if you have \$500,000 invested then the maximum payout would be \$200,000.

Mr. Fournier added he believes he has one payout in 2004 and one in 2005. It is not they are not going out many years.

Mr. Soli inquired if a motion was in order.

Mr. Pacino replied there are direction of the Department and a sense of the Commission. The sense of the Commission is to go that route.

Mr. Cameron expressed his thanks to Mr. Stone for his work on this. Mr. Cameron added over the years he has performed a lot of good work on the Sick Time Buy Back and Pension Trust. Mr. Cameron would like to say he had two or three phone calls with Mr. Stone while he was working on the Early Retirement Incentive Program and took Mr. Stone's counsel very seriously.

**Line Construction Bid**

The Commission took a short recess at this point in the meeting.

The Commission reconvened at this point.

Mr. Cameron noted the Department uses Halpin Line Construction for its overhead construction. Mr. Cameron pointed out earlier this year the Department sent out a bid subsequently for Line Construction. Because the Department used e-mail on the bid and some of the contractors did not receive the bid on time subsequently the bidders filed a complaint with the State. Instead of answering the complaint the Department decided to re bid this. Mr. Cameron pointed out numerous vendors received the bid but only four responded. Out of the four who responded Halpin Line Construction was the lowest bidder. Mr. Cameron noted Halpin came in as the lowest bidder \$1,092,541 for 2004 and \$1,125,946 for 2005 using 2,080 man-hours. Mr. Cameron commented on how the Department evaluates the bid is the Department looks at a four man crew with two bucket trucks costing it at 2,080 hours which is a full year's regular time work. However, when the Department budgets for the contract crews because they do not work in inclement weather. This contract is such that the Department does not have to keep these crews on.



**Action Items**

**Line Construction Bid**

Mr. Cameron noted if the bid is accepted it is only for an hourly rate. If the Department chooses they can keep them on one day and not work the rest. If and when sometime this year the Department does not have work to be done they can send them away. It is not a contract for a full year's work. Historically, the Department has used them seventy percent of the time. In 2004, the budgeted amount is \$757,680, which is two crews for about seventy percent of 2,080 total man-hours.

Mr. Hughes made a motion seconded by Mr. Soli that ITB 2003-17 for Hourly Rates for Line Construction Professional Manpower, Vehicles, and equipment for Electrical Distribution Construction and Maintenance be awarded to Halpin Line Construction LLC for a total cost of \$1,092,541 for 2004 and \$1,125,946 for 2005 as the lowest qualified bidder on the recommendation of the General Manager.

**Motion carried 4:0:0. Mr. Ensminger was not present for this vote.**

Mr. Hughes had a couple of questions relative to this bid. Mr. Hughes inquired if the bids were reviewed and analyzed by the General Manager and the staff. Mr. Hughes inquired who was the staff?

Mr. Cameron replied the Materials Manager, Manager of Projects, Operational Assistant, Manager of Engineering and himself.

Mr. Hughes then clarified that these crews do not come under the weather clauses such as signal ninety and inclement weather.

Mr. Cameron replied what the Department does is these crews get two hours show up time as it is in the contract. Mr. Cameron noted they show up if it is raining then are released at nine o'clock. They get a minimum of two hours show up time. As far as signals nineties go they work under the Department's conditions. If it is above ninety degrees they will be called in.

Mr. Hughes inquired if there is any holiday clause in the contract?

Mr. Cameron replied the Department does pay them for holidays but there are not as many holidays as the Department's. Mr. Cameron noted the Department has to abide by IBEW 104; Halpin is part of this union. Mr. Cameron noted the Department asked them for the contract and looks at how many holiday days they need to pay.

Mr. Hughes asked about the vehicles they are utilizing and is their any liability on the Department's behalf?

Mr. Cameron noted the contractor has to carry a minimum of at least \$5 million of insurance.

Mr. Hughes added they satisfy your requirements plus the gentleman on your staff that handles insurance. Mr. Hughes then asked about the accountability of stock they turn in stock sheets.

Mr. Cameron noted the Department supplies the stock.

Mr. Carakatsane pointed out this was a hot issue at the CAB during budget deliberations. Mr. Carakatsane wanted to touch upon some of the concerns, which came up. One it appears at this point it is justified to hire outside in terms of having outside contractors for these crews. It seems at this point every effort is being made by management to keep it within certain bounds so that is extremely helpful. What is a little hidden is the cost here or projected costs is not the only cost under the current contract for the rest of the crews because when they are being used it triggers mandatory overtime. Obviously a decision was made some time ago or continues to be made on an ongoing basis as to what the best benefit is for the Department in terms of hiring four more people, trucks and added benefits. There is a trade off made and is a decision that the General Manager and his subordinates to manage it the best way he can and not have to take on new people. There are trade offs on both sides. This was the issue that came up during the CAB deliberations and the CAB did approve the budget so that speaks for itself.

**Action Items****Line Construction Bid**

Mr. Cameron noted that one comment he would like to make is that during the last three snowstorms the Department has had one in January and one in February. Over this past weekend the Department again experienced snow and there were no outages on all three occasions. There was an off system occurrence with a transmission line from National Grid and two or three pole hits which caused outages. Mr. Cameron remembers the days in the early and middle nineties when there were snows like that and the system experienced problems. The Department has performed a lot of feeder work. The North Reading substation has helped. The system has been hardened quite a bit over the years. If you look at the Capital Budget projection as part of the Six Year Plan which was an adjunct to the Six Year Plan but on the capital side. When you go out four or five years the capital money for construction shrinks a bit.

Mr. Cameron noted the Department is looking at doing something with the substations. Mr. Cameron pointed out there is a two-year bid on this for a reason because this will be evaluated at the end of the term. Mr. Cameron added the Department has made a very conscious effort to develop a capital plan, in which the CAB went through with a fine tooth comb as well as the Board Subcommittee. The detail on this is such that these contractors are working on certain jobs that are defined as construction projects that are hardening and upgrading the system. Mr. Cameron understands the concern relative to the overtime issue. The amount of work that is out there such that the Department is pulling wire almost every weekend. There are some places on the system that will only pull wire on weekends such as industrial areas. There is enough work to be done to warrant the overtime. The overtime is a concern of Mr. Cameron as well but he wants to get the system to a point where they are minimizing outages on the system more than they are now. There are areas that need work.

Mr. Herlihy noted he appreciates Mr. Cameron's comments as he has some of the same concerns and it is somewhat of a controversial item. By this Mr. Herlihy means not the bid itself just the idea that supports the reason for putting this out to bid in the first place. Mr. Herlihy would urge that the Department strive to get itself as self sufficient as possible as quickly as possible so there is no need for outside contractors. Mr. Herlihy wants the Department to be able to be capable of doing all its work. Mr. Herlihy inquired is this the same contract that has been in effect before? Mr. Herlihy noted that Mr. Cameron had mentioned the Department as far as the contract goes has the right not to send out on a day was that the case before?

Mr. Cameron replied there were two contracts in place before. Mr. Cameron noted there was a contract for services for line construction that ran out last year. The Department worked the other two crews under the old contract. Mr. Cameron explained the new contract is nothing like the Preventive Maintenance contract. Mr. Cameron added the new contract it is for when the Department needs the crews, two-hour show up and is basically like the old contract in the line department.

Mr. Herlihy pointed out the two-hour show up charge during inclement weather is listed as an exception to the bid specs. Mr. Herlihy added the other bidders did not state such an exception. Mr. Herlihy then asked does the Department have to accept this and was this taken into consideration on the cost analysis?

Mr. Cameron replied the cost analysis the seventy percent takes into consideration they will be sent home with only two-hour show up. Mr. Cameron will ask the Committee because this is what the Department worked with in the past and will work under now.

Mr. Soli pointed out he can see the wisdom of this because you have to renew the infrastructure. Mr. Soli used the analogy of homeowners need to paint and maintain the roof. Mr. Soli noted the Department needs to maintain the infrastructure otherwise it becomes like Mass Highway that left the overpass at Sullivan Square go to rot and ruin. Mr. Soli commented apparently the Six Year Plan says in the out years there will be less. This shows the wisdom of having contractors for varying workloads. If it were in house and that workload goes down you are facing the unhappy situation of layoffs. Halpin is the cushion and if there are layoffs Halpin has to deal with it. Whereas the work crews at the Department can remain steady. Mr. Soli sees certain wisdom doing it this way.

Mr. Hughes noted bearing out the Mr. Cameron's opinion of the usefulness of the Halpin to the Department he took the special interest Saturday and Sunday not to interfere in the running of the Department but as a Commissioner he called each day on the system. Mr. Hughes replied the Troubleman did handle only one incident.

**Action Items**

**Line Construction Bid**

Mr. Hughes added the contactor line crews, Tree Trimming and Line Department crew had done all their assigned tasks and have the system up and running to accept the challenge. They are necessary to the Department.

**Report of the Chairman of the Board**

Mr. Pacino noted there is no report at this time.

**Selectmen Liaison, Citizens' Advisory Board and Customer Comments**

Mr. Pacino polled those in attendance. There were no comments.

**General Manager's Report**

**Letter from ratepayers Albert and Helen Pezzella, Lynnfield**

**They are thanking the Department for the refund and excellent service.**

Mr. Cameron noted they are thanking the Department for excellent service and their refund.

Mr. Carakatsane added they are very well known in Lynnfield.

Mr. Hughes expressed his concern that the "attaboy letters" be posted.

Mr. Cameron does ensure these letters are posted.

**Red Cross Blood Drive at RMLD, December 15, 2003, 2:00 p.m. to 7:00 p.m.**

Mr. Cameron Red Cross Blood Drive will be held at RMLD, December 15, 2003, 2:00 p.m. to 7:00 p.m. This has been done in the past annually in the RMLD's Cafeteria.

**T-Shirt Reception at RMLD, January 8, 2004, 7:00 p.m.**

Mr. Cameron noted this will be held at the RMLD and both the Chair and Vice Chair will be in attendance.

Mr. Hughes extended invitation to Mr. Herlihy to assist as he did in the prior year.

**Good Neighbor Energy Fund**

**All customers will be receiving envelopes in January if they wish to donate.**

Mr. Cameron noted all customers will be receiving envelopes in January if they wish to donate. Mr. Cameron added this is a fund in Massachusetts, which they disburse to people who have difficulty paying their energy bills.

Mr. Hughes is concerned that it is well managed.

Mr. Cameron added the Community Relations Manager handles this.

Mr. Pacino commented this is done by many utilities and the funds are restricted to solely paying utility bills.

**Thank you letter from Robert F. Woods, Manager, Wilmington Knights of Columbus**

Mr. Cameron noted it was a letter to him from Robert F. Woods, Manager, Wilmington Knights of Columbus relative to Light Department work coordinated by General Line Foreman, Frank Hadley.

Mr. Soli noted this is a nice letter and clarified this is an installation of a private streetlight.

**APPA Legislative Rally**

One other matter Mr. Cameron addressed was not the APPA Legislative Rally. The only Commissioner interested in attending is Vice Chair Hughes.

**General Manager's Report****APPA Legislative Rally**

Mr. Herlihy commented his issue is related but separate than the Rally itself. It might be easier at some point over the next year for the Board to schedule district office appointments with Congressman Tierney in Peabody. Mr. Herlihy pointed out it may be just as productive and a lot easier from a logistical standpoint.

Mr. Pacino added you need to get to the staff person if they are up here from Washington.

Mr. Cameron clarified do you want to have the Department to endeavor to do that as well or in lieu of the Legislative Rally?

Mr. Carakatsane commented speaking as someone who knows both local Congressman and in particular Congressman Tierney quite well usually those type of things the Legislative Rally is one of those events it is a vast thing even though you might meet individually with some Congressmen. It is also good to meet in district as Mr. Herlihy suggested.

Mr. Carakatsane is not sure it replaces what a group is trying to get accomplished in DC. In as much as we would like to do it, it does not have the same effect.

Mr. Pacino noted it would be something to do in addition to the Legislative Rally if it can be worked out logistically.

Mr. Hughes noted that Mr. Pacino has been a big endorser of the APPA Rally and get a big conglomerate of all the municipals and it is worthwhile to get into these discussion groups. Mr. Hughes is impressed by the knowledge and expertise the Congressman and Senators staff possess. It is conducive that the Rally continues in DC and it is supported at home.

Mr. Soli added in Congressman Tierney's district there were at least about thirty-six cities and towns. A fair number of these are municipal light departments, Ipswich, Middleton, Peabody, Wakefield and Marblehead. Mr. Soli noted he is sure the affect of all those folks coming down to that Rally is a lot more powerful than one municipal.

Mr. Cameron mentioned it is not only to educate them about issues but also to make sure they don't forget about them. Mr. Cameron commented the Federal Energy Bill was not successfully passed and it did not there is a reason for that

**Board Discussion****Rate Comparisons, November 2003**

Mr. Cameron noted the Department's fuel charge is up to 4.25¢ kWh, which puts the RMLD above Peabody and Middleton. When the Department was at 3.5¢ we were looking better. Now the Department is thirteen and fifteen percent above them. The Time of Use the Department is 6% above Peabody and about 11% above Middleton. The Commercial is 6% above Middleton but below Peabody. The Time of Use Industrial is below Peabody and above Middleton. The fuel market is up and Mr. Cameron does not foresee it coming down for a little while. Fixed price contracts are holding the Department's fuel price steady whereas other municipals have higher fuel charges.

Mr. Herlihy thought of this after the CIBFMS presentation. He is interested in seeing how many of the RMLD customers are paying on line what kind of growth in that, how much the Department saves if any and how the Department is promoting that as a potential savings.

Mr. Hughes discussed this as to the snow removal on Monday at substations as it was packed in. Mr. Hughes is under the understanding that Mr. Cameron will address this on a case-by-case basis. Mr. Hughes noted they went to trim the Facilities budget in that they discussed snow removal and overtime.

Mr. Soli had a couple of questions. Mr. Soli wanted to know when the Agreement would be signed?

Mr. Pacino replied before they leave in the other room signatures can be executed. Mr. Pacino noted the RMLD calendars are available.

December 10, 2003

**Next Meeting Date**  
**RMLD Board of Commissioners Meeting**  
**Wednesday, January 14, 2004**

**Motion to Adjourn**

At 9:25 p.m. Mr. Hughes made a motion seconded by Mr. Soli to adjourn the Regular Session.

**Motion carried by show of hands 4:0:0.**

A true copy of the RMLD Board of Commissioners minutes as  
approved by a majority of the Commission.

Daniel A. Ensminger, Secretary  
RMLD Board of Commissioners