



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2019-05-23

Time: 07:30 PM

Building: Reading Municipal Light Building

Location: Winfred Spurr Audio Visual Room

Address: 230 Ash Street

Session: Open Session

Purpose: General Business

Version: Final

Attendees: Members - Present:

David Talbot, Chair; John Stempeck, Vice Chair; David Hennessy, Commissioner; Thomas O'Rourke, Commissioner; Philip B. Pacino, Commissioner

Members - Not Present:

Others Present:

RMLD Staff: Coleen O'Brien, General Manager; Hamid Jaffari, Director of Engineering and Operations; Charles Underhill, Assistant Director of Integrated Resources; Wendy Markiewicz, Director of Business, Finance and Utility Technology; Tracy Schultz, Executive Assistant

Melanson Heath & P.C.: Zackary Fentross, CPA

Town of Reading: Karen Herrick, Finance Committee

Minutes Respectfully Submitted By: Philip B. Pacino, Secretary Pro Tem

Topics of Discussion:

Call Meeting to Order

Chair Talbot called the meeting to order and read RMLD's Code of Conduct. Chair Talbot announced that the meeting is being videotaped at the RMLD office at 230 Ash Street, for distribution to the community television stations in North Reading, Lynnfield, and Wilmington.

Public Comment

Chair Talbot asked Mr. Pacino to serve as Board Secretary. There was no Citizens' Advisory Board member in attendance and no public comment.

Presentation of the 2018 Audit

Mr. Fentross, from Melanson & Heath, introduced himself and explained his firm conducted a six-month audit for the period ending December 31, 2018 due to RMLD's moving from a fiscal year to a calendar year. Mr. Fentross stated that the Department has positive operating results and is in a strong financial position and has a well-funded Other Post-Employment Benefits (OPEB) trust fund. The audit did not result in a management letter. The Department received a clean opinion, which is the best opinion that can be received from an independent auditing firm. It's the same opinion that the Department has received in prior years. Mr. Fentross then discussed the Statement of Net Position. The asset and liability figures from December 31 to June 30 are, for the most part, comparable. One difference was receivables net of uncollectible, which decreased \$1.6 million from June 30, 2018. The reason for this is the calculation of the

Presentation of the 2018 Audit

Department's unbilled receivables. July bills include a lot of AC use so the revenues that the Department receives in July are typically higher than the revenues received in January. There was a corresponding reduction in the estimation of receivables. Moving forward that figure will be more comparable from year to year. Mr. Fentross then discussed net pension liability, stating that it has a balance of about \$10,781,000. This represents the Department's portion of the total unfunded liability of the Reading Contributory Retirement System. The Department's portion of that total unfunded liability is about 29 percent. The contributory retirement system is about 79 percent funded. The average in the Commonwealth is 70 percent so Reading is above average in its funding. Mr. Fentross reminded the Commissioners that the Department has set aside some funds to help fund the liability. The pension trust has a balance of \$5,878,000. According to accounting standards, that cannot reduce the liability that's presented, because it's not in the control of the contributory retirement system. However, considering the funds set aside, the Department's true liability is about \$4.9 million. Mr. Fentross then discussed the Net OPEB liability, which has a balance of \$7,374,000. When the Department moved from a June 30 year end to a December 31 year end, the actuaries produced new reports, and there was an increase of \$215,000. Mr. Fentross then moved on to the Statement of Revenues, Expenses and Changes in Net Position. The figures presented are only for a six-month period. However, as part of the audit, the auditors doubled the six-month figures and then compared them to 12-month periods: Fiscal Year 18 and Fiscal Year 17 were comparable. Mr. Fentross then stated that the change in net position has a balance of \$4,891,000. The Department had strong operating results and that figure reflects that. The Department of Public Utilities stated that eight percent rate of return is okay for a six-month period, and the Department is below eight percent. The Statement of Fiduciary Net Position is where the OPEB trust fund is presented. It has a balance of \$3,561,000. These are the assets that have been set aside to fund the other post-employment benefits. In 2018 the total OPEB liability was \$10,705,000. However, the Department has put aside \$3,561,000 towards funding that liability, which leaves a total unfunded liability of \$7,144,000. It is about 33 percent funded, which is a strong position for the Department to be in. When comparing the OPEB liability to towns, towns are generally well below ten percent funded. Other light departments are anywhere between 25 to 40 percent, so to be at 33 percent is a strong position for the Department. Mr. Fentross concluded by stating that the Department had positive operating results, has a well-funded OPEB trust fund, and there was no management letter.

Report of the Audit Committee

Mr. Pacino stated that the Town and the Board's Audit Committees met and heard the same presentation from Mr. Fentross earlier in the evening. Both committees voted to recommend that the Commission accept the audit as presented. Mr. Pacino asked Mr. Fentross if he thinks the new lease standard will have any effect on RMLD. Mr. Fentross explained that the leases are currently presented in a note disclosure. Governmental Accounting Standards Board Statement number 87 is not going to come into effect until 2020. Mr. Fentross stated that the auditors will be working with management. Mr. Pacino then asked about key audit matters, and whether that is something that the Board should consider. Mr. Pacino explained that it would be a separate paragraph in the opinion letter reporting anything that's risky. Mr. Fentross stated that he is unaware of that, but as far as anything risky, there was nothing in the audit that would warrant that disclosure. If there was something that could be improved or if the Department was engaged in a risky transaction, that would have been addressed in a management letter. Mr. O'Rourke asked Mr. Fentross to talk about cash on hand. Mr. Fentross explained that the industry standard is to have three months of operating cash on hand. RMLD has about 2.6 months, which is a little lower, but as of June 30, 2018 the ratio was at 2.3 months: the Department is trending in the right direction. Ms. Herrick asked if there were industry standards for the different accounts listed, such as depreciation and rate stabilization. Chair Talbot clarified that Ms. Herrick was asking if there were standards and where RMLD fits. Chair Talbot then asked Mr. Fentross if he represents other light plants. Mr. Fentross replied that he audits six municipal light plants a year and that as far as restricted cash, he is unaware of any industry standards. Mr. Fentross added that compared to the other light departments that he has looked at, RMLD's cash position is better. Mr. Fentross stated he could not compare RMLD to other departments by line item at the

Report of the Audit Committee

current time but could do an analysis. Ms. O'Brien stated that she can write an explanation of how the amounts are established. Ms. O'Brien explained that it's difficult to compare to other municipalities because they don't have the same types of transactions. Chair Talbot suggested that Ms. Herrick email Ms. O'Brien clarifying her question.

Mr. Pacino made a motion, seconded by Mr. Hennessy, that the Board of Commissioners accept the Audit Report from Melanson Heath, Fiscal Period ending December 31, 2018 as presented, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

General Manager's Report

Ms. O'Brien requested that the Board allow her to attend the NEPPA conference in New Hampshire.

Mr. Stempeck made a motion, seconded by Mr. Pacino, that the Board approve Ms. O'Brien's travel to, and attendance at, the NEPPA conference to take place from August 18 to August 21, in Bretton Woods, NH.

Motion Carried: 5:0:0.

Integrated Resources Division**a. Power Supply Report – March 2019**

Mr. Underhill stated that RMLD is tracking very well against budget and performing better than what was budgeted. Market power supply costs, capacity, and transmission were discussed.

b. Solar Workshop Update

The solar workshop is scheduled for June 20th at 7:00 p.m.

c. Solar Rebates

Mr. Underhill explained that the state achieved a supplemental appropriation for solar programs that is budgeted at a quarter million. This significantly increases public investment in solar. Energy New England will be helping RMLD in the rebate process. Ms. O'Brien explained that it applies to projects that have a maximum of 25 kWh, with the rebate not to exceed up to 50 percent of cost. Chair Talbot asked if the program makes solar more affordable. He was answered in the affirmative. Ms. O'Brien stated the maximum rebate per customer is \$2,000 and is only available until the funds run out. That means a maximum of 30 customers are eligible. Chair Talbot asked who is eligible. Mr. Underhill replied that the program is for residential and small commercial customers. Mr. Stempeck asked for the name of the program. Mr. Underhill replied that it is the MLP Solar Program.

Engineering and Operations Report

Mr. Jaffari reviewed major construction projects, maintenance, and reliability. Grid modernization is ahead of schedule and the BESS battery is online and running. Mr. Jaffari reviewed area upgrade projects including Gloria Lane in Lynnfield. Lynnfield has 28 pending pole transfers and one pull pole. Reading has 30 pending pole transfers and five pull poles. North Reading has three transfers and 16 pull poles, while Wilmington has 10 transfers and one pull pole. Reliability is great and RMLD is well below the national and regional averages. Mr. Jaffari reviewed outages and stated that the tree trimming program is working. Capital spending year-to-date is \$1.2 million.

Determination of Uniqueness of Property

Mr. Jaffari explained that Board is voting to waive advertising for the Wilmington substation site. The notice will still go into Central Register. The Letter of Intent is signed, and an environmental assessment is being conducted. The Purchase and Sales has contingencies for permitting.

Mr. Stempeck made a motion, seconded by Mr. Pacino, that the RMLD Board of Commissioners approve the Determination of Uniqueness of property and waive the publication requirements of M.G.L. Chapter 30B § 16, with respect to the acquisition of land located off Andover Bypass Street (Route 125) in Wilmington, MA 01887, and identified on the Town of Wilmington Assessor's Map in Book 891, Page 15, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

General Discussion

Mr. Underhill stated that he had misspoke in a previous meeting: Volta has Level 2 chargers, not Level 1.

Meeting dates were discussed.

Adjournment

At 8:32 p.m., Mr. Pacino made a motion, seconded by Mr. Hennessy, that the Board go into Executive Session to consider the purchase of real estate and return to Regular Session for the sole purpose of adjournment.

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



Philip B. Pacino, Secretary Pro Tem
RMLD Board of Commissioners