

**READING MUNICIPAL LIGHT DEPARTMENT  
BOARD OF COMMISSIONERS REGULAR SESSION  
230 Ash Street  
Reading, MA 01867  
May 10, 2017**

Start Time of Regular Session: 6:07 p.m.

End Time of Regular Session: 7:09 p.m.

**Commissioners:**

**Philip B. Pacino, Chairman**

**David Talbot, Commissioner**

**David Hennessy, Vice Chairman, Secretary Pro Tem** **Thomas J. O'Rourke, Commissioner**

**John Stempeck, Commissioner**

**Staff:**

**Coleen O'Brien, General Manager**

**Wendy Markiewicz, Director of Business Finance**

**Hamid Jaffari, Director of E & O**

**Tracy Schultz, Executive Assistant**

**Jane Parenteau, Director of Integrated Resources**

**Citizens Advisory Board:**

**George Hooper, Chairman**

**RMLD Liaison:**

**Selectman Dan Ensminger, Town of Reading**

**Call Meeting to Order**

Chairman Pacino called the meeting to order and announced that the meeting is being videotaped for distribution at community television stations in Reading, North Reading, Wilmington and Lynnfield.

**Opening Remarks and Introductions**

Chairman Pacino read the RMLD Board of Commissioners' Code of Conduct and welcomed CAB Chairman Hooper to the meeting. Chairman Pacino also welcomed liaison Mr. Ensminger from the Board of Selectmen and asked if he had any comments. Mr. Ensminger replied that he would wait to see what Chairman Pacino had to say on the Instructional Motion. There was no public comment.

**Chair's Report**

**Update on Instructional Motion-Town Meeting, May 4, 2017**

Chairman Pacino began with the Update of the Instructional Motion that was made on Thursday, May 4, 2017 at the Reading Town Meeting, and explained that the gist of the Motion was to look at RMLD's return to the Town. Chairman Pacino then addressed several misstatements that have been made. Chairman Pacino stated that someone said that the RMLD is an ATM on Ash Street-that's not true. There was a statement made that a Commissioner had appeared in front of the School Committee and said that RMLD was flush with cash. Chairman Pacino stated that it did not happen during his 31-year tenure on the Board and that he doesn't know what Commissioner that allegedly was. There was also a statement made, attributed to a Town Official, that the Department is worth \$250 million. Chairman Pacino stated that he has no idea where that number came from. The Town Manager stated that he brought up an issue with a former General Manager. Unfortunately, that never came before the Commission, and Chairman Pacino wishes that it had.

Chairman Pacino explained that at the May 4, 2017 meeting he proposed and promised to call a meeting of a Sub-Committee that has been in existence since June 9, 1998. The Sub-Committee consists of two members from the Board of Commissioners, two CAB members, and one member of the Reading Board of Selectmen (Chairman Pacino stated he does not care if they opt to have two representatives instead). The Sub-Committee will meet, discuss the return to the Town, and come back with a recommendation from all parties involved. The Commission represents the interests of the Department; the CAB represents the ratepayers, who are the main stakeholders; and the Selectmen represent the Town of Reading.

Being the Chair, Chairman Pacino stated he assumed he would be one member of the Sub-Committee and asked Mr. Stempeck, if he's willing, to be the other. Mr. Stempeck replied that he would be happy to. Chairman

### **Update on Instructional Motion-Town Meeting, May 4, 2017**

Pacino asked Mr. Hooper to decide with the CAB members who they will place on the Committee.

Mr. Hooper asked when Chairman Pacino was looking to have this meeting.

Chairman Pacino replied that they need to report back to the Town by the November Town Meeting.

Mr. Ensminger asked if it would be possible to get a copy of the original Sub-Committee charter.

Chairman Pacino replied that he would have Ms. Foti distribute a copy to all involved parties.

Mr. Ensminger stated the Selectmen will determine their number of Sub-Committee representatives at their next meeting.

Mr. Hooper asked for a copy of the charter as well. Chairman Pacino asked Ms. Schultz to send a copy to all the members of the CAB and all the members of the Commission.

Chairman Pacino stated he had one last comment. The final vote was taken when there was less than a quorum; for those people who left, they should be aware that was a very far-reaching discussion that could severely impact this Department. For those people who left the meeting, Chairman Pacino doesn't know how they feel they can represent their constituents, and added that this is his own personal comment.

Mr. O'Rourke said you could also say it's probably not productive to be discussing things at 11:30 at night.

Chairman Pacino mentioned that he happened to discuss the formation of the Committee with previous Boards of Selectmen but they never chose to call this Sub-Committee meeting.

Chairman Pacino made a motion, seconded by Commissioner O'Rourke, to officially appoint himself and Mr. Stempeck to the Sub-Committee on Reviewing the Return to the Town.

**Motion Carried 5:0:0.**

Chairman Pacino asked Mr. Hooper to carry back the message. Mr. Hooper stated that he has spoken to the Wilmington Town Manager and Town Selectman as this is a concern for all of them. Mr. Hooper is hoping to get a little more detail on what occurred at the Reading Town Meeting. Mr. Hooper stated that he will wait and see how this works out.

Mr. Ensminger announced that he has the wording of the motion on his phone and read 'Move to instruct the Board of Selectmen, in light of the Town's difficult financial situation, to study the Reading Municipal Light Department with an objective of increasing annual revenues to the Town of Reading,' Mr. Ensminger added that the final phrase, 'including the possibility of a sale' was struck by amendment and taken out.

### **Reorganization of the RMLD Board-Committee Assignments**

Chairman Pacino announced there are three basic sub-committees: the Audit Committee, the Policy Committee, and the General Manager's Committee. Chairman Pacino stated that he sees no reason to discontinue any of these. Chairman Pacino is on the Audit Committee and wants to stay there. Mr. Stempeck is also on the Audit Committee-does he want to stay there? Mr. Stempeck stated he would switch it up a little bit and remove himself from that committee. Mr. O'Rourke volunteered to take Mr. Stempeck's place.

Vice Chairman Hennessy will remain Chairman of the Policy Committee. Chairman Pacino opted to rotate off

### **Reorganization of the RMLD Board-Committee Assignments**

that committee and was replaced with Mr. Stempeck. Mr. Talbot remains.

The General Manager's Committee will consist of Chairman Pacino, Vice Chairman Hennessy, and Mr. Talbot.

Chairman Pacino asked who was responsible for Accounts Payable this month? Ms. Schultz answered Vice Chairman Hennessy and stated she would be sending out a schedule.

Mr. O'Rourke remarked there are some who can't do Accounts Payable or Payroll. Ms. Schultz affirmed, stating no Board Member can do either for three years in a row. Mr. Talbot has signed both Payroll and Accounts Payable the last three years; therefore, he is not assigned either this year.

Chairman Pacino stated he is first back up for Payroll since he lives closest and asked if the Audit Committee met with Mr. Fournier on a regular basis. Ms. Markiewicz replied that it wasn't a regular meeting; it was mostly at year end.

### **Potential Telecom Revenue – Dave Talbot**

Mr. Talbot began by thanking Mr. Ensminger for attending the meeting. The Town Meeting Instructional Motion was about how RMLD can generate more revenue. One of the areas we need better awareness of is what we can do with our fiber optic telecommunications network. It goes through all four towns and was built about 15 to 20 years ago, and over time leasing activity has increased, so without even trying we've seen revenue increase. It's the one area where revenue is growing. Mr. Talbot disclosed that in his day job he studies municipal light plants and what they can do. There are 41 electric municipals in Massachusetts and 15 are in the telecom business. High speed connections are things that businesses, institutions, schools, and towns need. For RMLD to provide this service would require engagement of the governing bodies of all four towns and the schools, to see what's being done elsewhere and see what the Department can do. There's leasing and municipal (although Mr. Talbot added that he understands Reading is already doing well with that), school agencies, or public safety applications. Mr. Talbot stated that he doesn't know what the answer is. But if you build it, they will come. This is a discussion we should be having. What can we do to offer businesses service that is cheap and fast? We're already seeing revenue growth in this; it's time to set up a formal division.

Vice Chairman Hennessy referenced a seminar that some of the Commissioners had attended at Harvard. Fiber was billed as the future. Vice Chairman Hennessy asked Mr. Talbot to elaborate on that point, since many people view it as a passing fad.

Mr. Talbot explained that it is misleading to say that wireless is going to replace fiber when we move to 5g. The reality is that when we move to 5g we'll have smaller transmitters with higher capacity and shorter ranges; they will need fiber backhaul. The equipment has a 30 to 40-year lifespan and that is as future proof as you can get. Fiber does replace copper but there isn't something else beyond fiber. Mr. Talbot asked Mr. Ensminger if he had any thoughts.

Mr. Ensminger responded that when he hears revenues lighting up, he lights up. Chairman Pacino added that Mr. Ensminger is a former Board Member 2002-2005.

Mr. Talbot added that there are lots of critical upgrades going on behind the scenes at RMLD and Ms. O'Brien is leading the way.

### **General Manager's Report - Ms. O'Brien**

Ms. O'Brien explained that the Northeast Public Power Association (NEPPA) Annual Conference will be held from

### **General Manager's Report - Ms. O'Brien**

August 20-23, in Newport, RI. Ms. O'Brien stated she may not be able to attend, but wanted to get authorization from the Board in the event she chooses to go. Chairman Pacino stated he had already booked his room and Vice Chairman Hennessy stated that he was going as well. Ms. Schultz will circulate the reservation information to the remainder of the Board.

Mr. O'Rourke made a motion, seconded by Mr. Stempeck, to grant General Manager Coleen O'Brien Board Approval to attend the NEPPA conference August 20 through 23.

**Motion Carried 5:0:0.**

Ms. O'Brien then introduced Ms. Markiewicz, Chief Financial Accountant, to present the Operating Budget.

### **Review of RMLD's Fiscal Year 2018 Operating Budget**

Ms. Markiewicz started with the Six-Year Plan, and explained that it is a high-level profit and loss statement. It shows sales revenue. We are trying to estimate a decrease of a half a percent every year, which is consistent with the prior year's Six-Year Plan. Operating expenses are staying consistent with a 3 percent increase in operating and maintenance expenses and general administrative expenses. We're trying to get as close as we can to an 8 percent rate of return. Ms. Markiewicz then moved on to the detailed profit and loss for the Budget FY18, and asked Ms. Parenteau to present the revenue portion.

Ms. Parenteau stated that the Operating Revenue for FY 18 is estimated to be \$26.3 million. That can be funded in one of two ways: if there is an increase in sales or by a rate increase. Over the last ten years, sales have been flat and decreasing, so this budget has assumed flat growth. To increase revenue, a rate increase is necessary across all classes of customers. A Cost of Service Study was done, and there was a presentation to the Board on April 20. There was a presentation to the CAB on April 2 and there will be a follow up for a final recommendation to the CAB on May 24. Once the CAB's recommendation is received, the rates will be brought to the Board for approval. Increases will range anywhere from 3 and a half to 7 percent, and that will depend on customer class and usage. RMLD is also looking to implement changes with how capacity and energy are charged within the industrial class. One of the increases you'll see further in the budget is the increase in capacity from this fiscal year to last fiscal year. It's currently estimated to be an increase of \$4 million dollars to the Department in capacity alone. Those costs are a pass through to customers; the Department does not make any return on that. However, it's a 4 to 5 percent increase for every customer in just power supply.

Ms. Markiewicz then began with the Operations and Maintenance Expenses, stating that the percentage of change reflects the 2017 budget to the 2018 budget. Any fluctuation may be due to working more on the operating or capital expenses this year. Ms. Markiewicz then said that she would go through each line item.

FERC 580 Supervision and Engineering are going up 26 percent. This includes engineering labor with overtime, and department expenses including vehicles and training. This is also anticipating two new engineering positions.

FERC 581 Station Supervisor is labor with overtime, as well as vehicles and training. There's an increase due to the shift from capital to operating.

FERC 581 Line General include Line Department training, employee time off, and weather related time working in-house instead of in the field. That went down 29 percent because they're going to be doing more capital work this year.

FERC 582 Control Room is Station Operator labor with overtime and department expenses.

## **Review of RMLD's Fiscal Year 2018 Operating Budget**

FERC 585 Street Lighting is routine patrolling and repairs and maintenance by T-Men; it is going up 16 percent because there were more repairs and maintenance than we had anticipated.

FERC 586 Meter General is comprised of Meter Department labor with overtime and expenses, vehicles, and training. This is down 11 percent due to capital projects.

FERC 588 Materials Management is Purchasing expenditures. This includes labor, stockmen, some educational expenses, some telephone and copier expenses, and department expenses. This is shifting down 3 percent due to a temporary hire.

FERC 590 Maintenance of Structures and Equipment are station tech labor with overtime, training, vehicles, and supplies. RMLD is looking to add one station tech operator this year.

FERC 593 Maintenance of Lines-Overhead is staying stable. This includes line labor in the field, overtime, police details, and tree trimming. This is \$1 million net capital.

FERC 594 Maintenance of Lines-Underground is comprised of underground labor with overtime, vehicles, and supplies. This is going up 59 percent due to more operating expenses versus capital.

FERC 595 Maintenance of Line-Transformers is an estimate in case of transformer leaks, battery disposal, or hazardous waste.

FERC 596 Maintenance of Streetlights is T-Men changing out bulbs and fixing lamps in the field. That's going up because the amount of need it was underestimated in the past.

Ms. Markiewicz then moved on to General & Administrative Expenses.

FERC 902 Meter Reading is meter reading labor and meter department expenses. This is going up due to contractual increases and retro pay.

FERC 903 Customer Collections is comprised of labor, education, and supplies for Accounting, Customer Service, and the IT department. RMLD is looking to add one IT billing person, which is why there is an increase of 11 percent.

FERC 904 Uncollectible Accounts usually holds steady at \$150,000.

FERC 916 Energy Audit and Conservation is decreasing less than one percent. It is comprised of Integrated Resources labor, education, supplies and conservation programs.

FERC 920 Administrative and General Salaries will decrease by 10 percent due to the departure of some longtime employees. This is General Manager's labor, Human Resources, Community Relations, CAB, E&O Director, Facilities Manager and some of the Business Director's time as well.

FERC 921 Office Supplies is going up a quarter of a percent due to increases in product costs.

FERC 923 Outside Services is made up of legal fees, consulting fees, audit fees, and fees for software consulting. This is increasing 13 percent mostly due to increases in vendor fees.

Mr. O'Rourke asked giving net changes, looking at 2018 budget relative to the 2017 Budget?

## **Review of RMLD's Fiscal Year 2018 Operating Budget**

Ms. Markiewicz answered the 2017 budget. This is not what was actually spent, but what was budgeted in 2017. As opposed to where we are now, which is 8 months actual and 4 months remaining in the budget.

Mr. O'Rourke stated he would have thought the actual full budget would have given a better depiction.

Mr. Stempeck clarified with Mr. O'Rourke that he was saying it's better to have more actual than estimated.

Mr. O'Rourke replied that we're looking to measure our actual spending in 2017 and how much that's going up in 2018.

Ms. Markiewicz explained the reason that wouldn't be as accurate is that you really don't know how much you're going to spend in the last 4 months. Sometimes you're trying to rush to get projects done to meet budget, or there are timing issues.

Mr. O'Rourke stated that makes sense. In some businesses the budget tends to be an artificial number where it doesn't matter if it's met or not met.

Ms. Markiewicz said as it stands right now we're on target, and then continued on to the next line item, FERC 925 Injuries and Damages, which is comprised of some property damage claims, workers comp, and disability insurance. This is going down 8 percent due to a subrogate assisting with RMLD claims.

FERC 926 Employee Pension and Benefits could change. The issue is that, at the end of the year, there could be a last-minute pension calculation that could change this number drastically. The prior year, the auditor changed it by \$402,000. We can only stay on target with what we know. This is due to unfunded liability.

FERC 930 Miscellaneous General Expenses is a catch all that includes dues, education, supplies, drug testing, background checks, community giveaways, promotional items, and the historical calendars. This is going down 5 percent.

FERC 931 Rent Expense is going to stay the same based on RMLD's contract with JCM Realty. Rent does not include snow removal.

FERC 935 Maintenance of General Plant includes software, ITRON, the RMLD website, GIS, SCADA, and engineering software. This is going up about 56.6 percent. RMLD hasn't had a lot of automation and is moving in that direction to improve efficiency.

FERC 935 Maintenance of Building & Garage is comprised of heating oil, gas, paint, carpeting, water, plumbing, snow removal and ground services. That's going up about 14 percent.

Chairman Pacino asked if 931 is the rent for the garage out back. Ms. Markiewicz answered yes.

Chairman Pacino asked for a breakdown of the amounts of health insurance and retirement in 926. Ms. Markiewicz stated she can get that, and added that the health insurance is increasing.

Ms. O'Brien said that she knows this is a new format, but everyone will get used to it. FERC coding is a set of standardized utility accounting principles. It puts employees on the same page.

Mr. Ensminger asked if the financial software program Ms. Markiewicz is using is Munis.

## **Review of RMLD's Fiscal Year 2018 Operating Budget**

Ms. Markiewicz answered that it is Great Plains.

Mr. Ensminger asked, if money needs to be moved from one line item to another, who has the authority to approve the transfer?

Chairman Pacino answered that it would be the General Manager.

Ms. Markiewicz stated that RMLD doesn't do a line item budget.

Chairman Pacino added that the budget is reported on monthly, so that the Board can question it.

Ms. O'Brien answered that there is a little bit of room in the FERC accounting for where activities/assets are placed, but once Ms. Markiewicz and Ms. O'Brien agree on what goes where, it will not change. Typically you wouldn't move these around. FERC allows some expenses to go into multiple categories, but once it's decided it stays there.

Mr. Stempeck stated that makes sense, otherwise it wouldn't be consistent year to year.

At this time, Mr. Ensminger left due to another meeting.

Ms. Markiewicz continued with her presentation, stating FERC 403 Depreciation is increasing because plant is increasing. Depreciating plant is at 3 percent and is staying consistent. FERC 408 Voluntary Payments to Towns are increasing by 3.8 percent. That's based on two percent of RMLD's net plant. Plant goes up-payments go up.

FERC 419 Interest Income is going up 20 percent, which may appear odd. It's simply because it has been underestimated in the past. This is cash reserve money that's getting interest income. This includes depreciation fund, rate stabilization, sick buyback, and the customer deposit fund.

FERC 419 Other Income is scrap metal and other small areas of money that come in.

FERC 426 Return on investment to the Town of Reading includes loss on disposable plant at the end of the year. Return on Investment is based on the CPI index. It is going up 1.4 percent.

FERC 431 Interest Income is interest to customers when they close out their accounts and request their customer deposits back.

The bottom line net income targeting \$4.1 million, or \$4.5 million for a 6 percent increase. Then, if you go down to the rate of return calculation, you add back your return on investment to the Town and your loss on disposal, and then you subtract your Interest Income and in that Other Income number is construction of about \$400,000 so your net \$6.1 million as compared to 8 percent of your net plant, \$6.3 million, giving you a 7.75 rate of return.

Mr. Stempeck stated that's pretty close to the maximum 8 percent rate of return.

Ms. Markiewicz moved on to Projected Fixed and Semi-Variable Costs. This is fixed costs and what we have available to move things around in. 82.68 percent is fixed in the FY18 total budget. About 74 percent are our Power costs-Fuel, Capacity and Transmission. The Depreciation Expense is 4.6 percent, Return on Investment to the Town of Reading is 2.5 percent, above the line Town Payments are 1.5 percent. Disposable losses are less

## **Review of RMLD's Fiscal Year 2018 Operating Budget**

than a quarter percent. The 17.3 percent of the budget that remains is what RMLD has to move across the various categories. Labor and Employee Benefits/Pension take up about 11 percent of that.

Mr. O'Rourke remarked that there's not a lot of room for discretionary expenditures.

Ms. Markiewicz answered that it really puts it into perspective.

Vice Chairman Hennessy noted that the two biggest semi-variable costs are relatively fixed as well. Ms. Markiewicz concurred, citing the labor contracts.

Mr. Talbot asked how many new staff positions are being contemplated.

Ms. Markiewicz stated that RMLD is hoping to hire 2 new employees in FY18. The talent is not out there. There are an additional 7 previously approved positions that are still vacant.

Ms. O'Brien stated that some of the delay in hiring is because of the talent and skill level needed due to a lack of succession planning. RMLD is not in a position where it can hire completely green people for certain descriptions. We're also developing career development programs and rewriting job descriptions; each one must go through their respective union. That and trying to find the talent is creating the lag.

Mr. Talbot asked if additional staffing was being considered.

Ms. Markiewicz explained that there are currently 74 employees; if we were to staff what has already been approved that number would go up to 83.

Ms. O'Brien added that, in the past, the Department has typically had 80 to 83 employees. There have been a number of retirements. Those positions have been kept on the books. The intent is to fill them as part of the organizational restructuring. Ms. O'Brien explained the 2 positions Ms. Markiewicz was referring to are replacing one station tech operator and hiring an additional billing individual in IT.

Mr. Talbot revealed that the reason he was asking was because he thinks there should be some telecom expertise in house.

Ms. O'Brien explained you have to be very careful spending electric funds on fiber. We need to stay within the parameters of what is allowed.

Mr. Talbot explained that the spirit of what he's saying is that it would be good to have some in-house expertise who can answer questions and identify telecom opportunities. In the next year or two we should be thinking of developing one person in the Department.

Mr. Stempeck said that would be part of the output of the Committee that was formed tonight; finding new revenue and enhancement.

Chairman Pacino reminded the Board that we're in the wires business.

Mister Talbot reiterated that there are fifteen other light plants are in the fiber business; by accident we are too.

Ms. O'Brien clarified that the fiber was built for the use of the electric company, and any revenue that the electric



### **Review of RMLD's Fiscal Year 2018 Operating Budget**

company makes from surplus goes to the electric operating funds. If you change that you would have to develop another set of books. Ms. Markiewicz added that you need to set up another entity.

Mr. Hooper clarified that RMLD is currently short nine employees, which Ms. Markiewicz affirmed. Must have noticed deficiencies; tough to operate. Is RMLD still carrying pay for those nine employees? It has been over a year; where does that money go to?

Ms. Markiewicz answered that it just sits in the Operating Fund.

Mr. Hooper clarified that money from those nine salaries from last year carries forward?

Ms. Markiewicz answered yes, and when we fill the positions we disperse the cash accordingly.

Chairman Pacino asked if there were any comments or questions on the Operating Budget, which will be voted on tomorrow night.

Mr. O'Rourke added that if you approve the Operating Budget and then have issues on the Capital, they're related; you don't want to approve something and then undo it.

Because the RMLD Procurement Request Requiring Board Approval is Capital Budget related, the Board opted to vote on IFB 2017-40 the following evening.

### **RMLD Board Meetings**

Chairman Pacino and the Board conferred that the third Thursday of every month will be the meeting date. The next meeting will be on June 15. Mr. Stempeck will be unable to attend.

Ms. O'Brien asked, in regards to the Strategic Meeting, is it a committee or a meeting?

Chairman Pacino answered: meeting.

Mr. O'Rourke stated that the last time committees were redone the Board updated their contact numbers. Ms. Schultz stated she would circulate an e-mail tomorrow.

### **Adjournment**

Mr. O'Rourke made a motion, seconded by Vice Chairman Hennessy, to adjourn at 7:09 pm.

**Motion Carried 5:0:0.**

### **Executive Session:**

Executive Session was posted in the event discussion relative to competitively sensitive issues relative to labor issues or real estate acquisitions arose. There was no such discussion, therefore no Executive Session was held.

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

David Hennessy, Secretary Pro Tem  
RMLD Board of Commissioners