

**Reading Municipal Light Department Board of Commissioners**  
**RMLD Board of Commissioners Budget Committee Minutes**  
**Thursday, May 13, 2010**

**Start Time of Regular Session:** 7:37 p.m.  
**End Time of Regular Session:** 9:26 p.m.

**Attendees:**

**Committee Members:**

|                                       |                             |
|---------------------------------------|-----------------------------|
| <b>Philip Pacino, Committee Chair</b> | <b>Richard Hahn, Member</b> |
| <b>Gina Snyder, Member</b>            |                             |

**Commissioners:**

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| <b>Mary Ellen O'Neill, RMLD Board Chairman</b> | <b>Bob Soli</b> |
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**Staff:**

|   |   |
|---|---|
| <b>Vinnie Cameron, General Manager</b>                    | <b>Beth Ellen Antonio, Human Resources Manager</b>  |
| <b>Jeanne Foti, Executive Assistant</b>                   | <b>Robert Fournier, Accounting/Business Manager</b> |
| <b>Paula O'Leary, Operational Assistant</b>               | <b>Jane Parenteau, Energy Services Manager</b>      |
| <b>Kevin Sullivan, Engineering and Operations Manager</b> |   |

Mr. Hahn in called the meeting to order at 7:37 p.m.

**Review the 2011 Operating Budget**

Mr. Fournier provided an overview of the fiscal year 2011 budget.

Mr. Fournier explained that two pages that have been passed out from Draft 1 which Citizens' Advisory Board (CAB) has seen and voted on. However, there is a Draft 2 Operating Budget because the work at Gaw has not gone as planned. Therefore, Draft 2 the CAB has to look at that because of the nature of the changes.

Mr. Fournier said that Draft 1, dated April 2, the pages reflect all expenses are summarized at \$85.5 million. Fixed costs include: base power, fuel, depreciation, the four town payments and the payment to the Town of Reading, there is no wiggle room with these costs; they are fixed costs and are not dependent on kilowatts. Of the \$85.5 million there is \$74.3 million of which there is no say. There are semi-variable costs such as labor expense portion, overtime, training/tuition, legal services, insurances, property, injury damages, employee pension/benefits, rent expense (Barbas building) and bad debt expense which represent \$8 million or 9.3%. Mr. Fournier said that the \$3.3 million expenses; or a little less than 4% is what you have room to work with. Mr. Fournier provided detail on the \$3.3 million that includes such items as vehicles, hardware/software maintenance contracts, office supplies (which are not just pens and pencils), but include banking charges. Mr. Fournier explained the departmental expenses at \$1.5 million include outside labor, training, tree trimming, station transformers that is the hazardous waste, the CAB and the Board's budget as well as the conservation program at \$643,730 has its own separate rate that covers those costs. If you back out the \$600,000 plus in the energy conservation charge, \$2.6 million or 3.1% that can be possibly be subject to change.

Mr. Fournier pointed that there will also be a Draft 2 on the Operating Budget.

Mr. Hahn asked Mr. Fournier has he identified changes that need to be made and taken back to the CAB. Mr. Fournier replied that Ms. O'Leary will bring back the changes to the CAB. Draft 1 was at \$2.877 million and Draft 2 is \$2.799 million which has been broken out by the changes in net income due to more labor being capitalized on regular time than expensed. Mr. Fournier provided an explanation for the change.

Mr. Hahn asked the change to the \$2.799 million what does this reflect. Mr. Fournier replied that this is for Draft 1 net income budget. Mr. Fournier said that the CAB saw this last month, which is the starting point for both Boards.

### **Review the 2011 Operating Budget**

Mr. Fournier explained that there was an increase of net income of \$135,000 however the \$625,000 of additional expenses, which Gaw has attributed to most of this. Mr. Fournier stated that February and March when the budget was prepared, there was not a lot of information on the Gaw issue most of it will avail itself in the early part of June. It is a best guesstimate of capital work and the soil remediation that will take place in fiscal year 2011 whereas it was anticipated in fiscal year 2010.

Mr. Hahn said that the \$2,799 million net income and add it to the total expenses \$85,543 million will it be the revenues in Draft One. Mr. Fournier replied that the \$88,342,780 was from Draft 1.

Mr. Soli asked if the budget presupposes a rate increase. Mr. Cameron replied that the base revenue assumes a 5% rate increase in base revenues.

Discussion followed.

Mr. Fournier explained that the fiscal year 2011 Operating Budget is not a line item budget; it is a detail budget, which is a financial estimate for fiscal year 2011. Mr. Fournier commented that there were no raises in fiscal year 2010. In fiscal year 2011, January to June 3% based on union negotiations, a unique thing being done is this year is the demolition of the Control Center is \$30,000, extra tree trimming crew half crew is \$113,000. Hazardous waste cost at the Gaw is \$600,000, the increase in health insurance is 10%, and employee the headcount remains the same. The meter AMR project portions will be capitalized and expensed. Overtime labor expense is \$118,000 on the operating side.

Chairman O'Neill asked if Mr. Hahns' questions were going to be answered this evening. Mr. Cameron said that as the budget is addressed then Mr. Hahns' questions will be answered, however, written answers will be going to the full Board.

### **Business Division**

#### **Accounting**

Mr. Fournier reported that in the Accounting Department 903-105 supplies are high; this was one of Mr. Hahns' questions.

Mr. Hahn noted that in fiscal year 2011 the Business Division is \$9 million plus and is up 1.5% over 2010 budget and 7% increase over three year average. The budget in its current format by month shows no detail comparison to last year's budget.

Mr. Fournier then referred to one of Mr. Hahns' questions is 1.1% for the Business Division is not a big increase; Energy Services Division is down 1.7% to \$1.235 million from \$1.256 million budgeted last year. Engineering is up from \$3.7 million to \$4.1 million or about 9%. Mr. Hahn wanted to know what caused the increase in Engineering was it due to less capital work and more OT. Mr. Fournier will defer answering this until the E&O Division is addressed.

Mr. Hahn pointed out that the Business Division \$281,000 office supplies versus \$235,000 supplies. Mr. Fournier reported that increase is due to Town Hall Services for the Treasurer's and Accountant's office fiscal year 2010 charges \$140,000, fiscal year 2009 \$161,000, fiscal year 2008 \$106,000 and in fiscal year 2011 \$126,000 budgeted. Envelopes went down from \$2,400 envelopes down; increase in postage \$12,000 credit discount fees \$3,000.

#### **Customer Service**

Mr. Fournier said that 10% of customer service labor goes towards the energy conservation charge. Overtime is for emergencies and outages. Bad debt increased from \$115,000 to \$180,000 bad debt in good times it is at 143,000.

### **Business Division**

#### **MIS**

Mr. Fournier pointed out that there is capital labor \$4,4000 overtime is for upgrades on weekends, employee education for software seminars, toner is for printers in house maintenance and general plant IT carries all divisions.

Mr. Pacino entered the meeting at this point.

Mr. Fournier reported on miscellaneous income that includes depreciation expense customer deposit interest, return to Town of Reading.

Mr. Fournier commented that the depreciation for fiscal year 2011 based on estimated budget for fiscal year 2011 and what the RMLD anticipates it will complete in fiscal year 2010.

### **Energy Services Division**

Ms. Parenteau reported that from fiscal year 2010 to fiscal year 2011 ESD budget decreased 1.7% outside services have been reduced from \$150,000 to \$96,000, and Energy Services expenses went down from \$40,000 to \$24,000. Ms. Parenteau explained that the ESD training budget has increased from fiscal year 2010 - \$5,000 to fiscal year 2011 - \$30,000 because the Energy Efficiency Engineer will be pursuing his master's degree in Energy Systems. Key Account decreased from \$5,000 to \$2,000. The Energy Conservation from \$621,200 to \$643,000 which is collected through rates.

Discussion followed.

### **Engineering & Operations Division**

Mr. Sullivan reported that there is a reduction in two departments. In the station and meter departments they are down one employee. Mr. Sullivan said that to answer Mr. Hahns' question, there is a 9% reduction in the employee for the capital and operating shift.

Mr. Sullivan reported there is a reduction of \$7,500 in the E&O Manager. There is an increase in the Engineering side of \$44,000 with the increase of maintenance of lines.

Ms. O'Neill asked item 65 is up \$65,000 that is this attributable to the capital/operating split. Mr. Sullivan said that the labor split is 60/40. Mr. Sullivan said that more is being expensed this year.

Mr. Sullivan reported that in the Line Department there is an increase of \$156,000 which include the maintenance of lines \$83,000, labor overtime \$19,000, maintenance underground \$5,800, and ½ tree crew that has been added in fiscal year 2011. Mr. Hahn asked Mr. Sullivan how he determined the need for the additional tree crew. Mr. Sullivan responded he tracks the tree trimming and the decision was made based on back log.

Mr. Sullivan reported that there will be an increase in the meter department of \$55,600 due to the expectation of the meter project. There was a decrease of a position at \$57,000, but the increase will be in overtime of \$118,000 which is driven by the expectation of the meter project. Mr. Hahn asked if the meters will be changed out during overtime. Mr. Sullivan said that some installations will performed on overtime and some on regular time.

Mr. Soli said that Cost Center 80 - \$56,000 in labor, \$28,000 - 2 people, Cost Center 67 - \$330,000 - 2 people. Mr. Fournier explained that the labor is allocated out; less Meter Tech Read 70% expense goes to 902 account.

Mr. Sullivan reported that the station cost center will increase by labor supervisor - \$1,900, labor regular - \$1,500 and increase in labor regular - \$8,200.

Mr. Fournier pointed out that Ms. O'Leary puts together a phenomenal spreadsheet that will be discussed at the next meeting of this Committee. It shows all the capital project and labor with further summarization. Both the capital and operating budgets tie out.

#### **Engineering & Operations Division**

Mr. Sullivan explained that currently there is \$600,000 in soil remediation expenses at Gaw in fiscal year 2010 and the balance of the remediation expenses will occur in fiscal year 2011.

#### **General Manager Division**

Mr. Cameron reported that the General Manager Division costs are level except employee education was decreased by \$1,500 as well as vehicle expense.

#### **Human Resources Division**

Ms. Antonio reported that the Human Resources Division is down 10.26% from fiscal year 2010. Ms. Antonio explained that legal fees are down \$17,500 and miscellaneous general, help wanted advertising by \$1,700.

#### **Community Relations Division**

Ms. Antonio reported that the Community Relations Division is down 1%. The cost for printing the annual report is down \$1,000, newsletter is down \$2,400 and the calendar is down \$2,000. There is one increase which is the customer survey which has been budgeted for \$8,000.

#### **Community Relations Division**

Chairman O'Neill asked the cost of the consultants for the annual report and the newsletter. Ms. Antonio replied that the cost of writing and research for the annual report is \$9,800 and the annual report is \$4,000 for the writing.

#### **RMLD Board of Commissioners**

Mr. Pacino suggested lowering the budget from \$7,500. Discussion followed and it was the consensus of the Board to keep the budget at \$7,500.

#### **Citizens' Advisory Board**

Mr. Pacino said that according to the Twenty Year Agreement the Citizens' Advisory Board budget is set at \$15,000.

#### **Facilities Manager Division**

Mr. Cameron reported that general benefits has gone up 8.5% which include property insurance that has increased by \$35,000, injuries and damage insurance increased by \$6,300 and employee pension and benefit increase by \$133,000. Mr. Soli asked if the employee and pension number includes the OPEB amounts. Mr. Cameron replied, "yes", \$360,000 worth. Mr. Soli asked the cost of the OPEB amount in the last year. Mr. Cameron replied that the OPEB was funded at \$377,000.

Chairman O'Neill asked the total actual cost is higher than \$1.2 million for employee pension; \$567,000 is deducted for an overhead credit. Mr. Fournier explained that is the loaded rate for the labor spent on capital projects and that number is reflected in the capital budget. Mr. Pacino asked what this was last month. Mr. Fournier reported it was \$772,000 last year.

Chairman O'Neill asked on miscellaneous general transportation. Mr. Fournier said that this is for vehicles assigned to capital projects.

Mr. Cameron said that on the building maintenance the biggest increase is the demolition of the control center for \$30,000 demolition because the building is no longer useful and the RMLD can use the parking spots. Also, \$25,000 in repairs need to be made to the roof at 230 and 218 Ash Street buildings.

Mr. Cameron said that the Material Management cost center has wage increases of \$1,617.

Mr. Pacino had a general comment on the budget, which he has the same complaint every year, why are the monthly breakouts on the budget. Mr. Cameron stated that next year the budget will not have the annual breakdown to the Board.

Mr. Hahn asked if there is a break down of the purchase power base and fuel. Mr. Cameron referred to page 4 of the Summary. Mr. Hahn said that he echoes Mr. Pacino's comment; it does not show last year's budget.

Ms. Parenteau explained that there are annual numbers from 2007, by project. Also, she has actual current fiscal year to April with estimates May to June for the current fiscal year by project.

Ms. Parenteau explained that the actuals are more important, the actual costs capture for this budget is either January or February numbers. Ms. Parenteau based her budget values on MMWEC, PSA's for system contracts, McQuarrie, Constellation, and take the ISO transmission rate for fiscal year 2011 is \$69 Kilowatt year, capacity \$4.50 and the RMLD has to secure less because the transition period ending 2020 is slightly less than what RMLD has had to cover historically.

Discussion followed.

Mr. Hahn said that the rate increase is 5% above the 38,477. Mr. Cameron replied, "yes." Mr. Hahn said that this is an increase of 1.9 million and \$1 million in transmission but he wants to see that that or does he have wait until the Cost of Service Study is complete. Mr. Cameron replied that he will see it. Mr. Hahn is unsure of where the 5% rate increase came from. Mr. Cameron explained that he did math to see what the revenue requirements would be with the return. Mr. Cameron explained the process he used by looking at the budget requirements and expenses through billing frequencies what the RMLD would be earning if no rate increases. Mr. Hahn asked does that permit the RMLD to make its return.

Mr. Hahn asked what would happen if the Department would earn its 2% and no rate increase. Mr. Cameron said that it would go negative without the 5% increase there would be no money for capital programs and the RMLD would not make its net income.

Mr. Hahn acknowledges that Mr. Fournier said that there is no control over the budget; what would Mr. Cameron cut first. Mr. Cameron replied the \$30,000 in the demolition project. Mr. Hahn asked about the implication of cutting the meter project. Mr. Cameron said that the meters need to be replaced they are starting to slow down because they are fourteen to fifteen years old, it would be \$118,000 of labor. Mr. Cameron said that once the billings are affected it will impact the revenues.

Mr. Hahn stated that he will withhold a vote until he sees the rest of the information on the rate increases in the Six Year Plan and he would advocate not rolling the \$1 million into base rate in the increased Purchase Power Adjustment. Mr. Hahn said that hypothetically a 5% rate increase every year is difficult to swallow. Ms. Snyder asked when the last rate increase was. Mr. Cameron replied two years ago, September 2008. Mr. Hahn explained that some of these rate increases are recovered through the purchase power.

Discussion followed.

Mr. Hahn made a motion seconded by Ms. Snyder that the RMLD Board of Commissioners adopt the projected Fiscal Year 2011 Operating Expenses of \$83,555,091; Non-Operating Revenues of \$1,270,000; and Non-Operating Expenses of \$2,237,000.

**Motion carried 3:0:0.**

At 9:26 p.m. Ms. Snyder made a motion seconded by Mr. Hahn to adjourn the meeting.

**Motion carried 3:0:0.**