

Reading Municipal Light Department

230 Ash St., Reading, MA 01867-0250
ph: 781-944-1340 or 781-942-6598
fx: 781-942-2409

02/04/2009 Operating and Capital Budget/Pension/Legal Services Committee Minutes

Reading Municipal Light Department (RMLD) Board of Commissioners
Operating and Capital Budget/Pension/Legal Services Committee Minutes
February 4, 2009

Start Time: 7:30 p.m.
End Time: 8:35 p.m.

Attendees:

Committee Members: Ms. Kearns and Mr. Pacino

RMLD Board: Mr. Soli and Ms. O'Neill

Staff: Messrs. Cameron, Fournier, Sullivan and Donahoe Ms. Parenteau and Antonio

2009 Budget Adjustments

Mr. Cameron started out the meeting by explaining the budget reforecast the RMLD is going through. Mr. Cameron said that at the last Board meeting, he told the RMLD Board that FY 2009 revenues have been reforecasted to reflect approximately a \$2 million shortfall as compared to the original budget forecast. Mr. Cameron went on to say that the RMLD's expenses and capital budget need to be reforecast in response to the revenue reforecast. Mr. Cameron said that he would get back to the Board in February on the results of the reforecast.

Mr. Cameron did mention that the RMLD's Return to the Town of Reading may be below a 1% increase based on what he has seen in the Consumer Price Index for the Brockton-Boston-Nashua recently. Mr. Pacino told Mr. Cameron to call the Reading Town Manager and alert him of this. Mr. Pacino also said that the Town Payment Committee should also be contacted about the estimated amount of the increase in the Return to the Town.

Ms. O'Neill asked how much of the Gaw Substation will be funded in 2010? Mr. Cameron replied that this would be part of the 2010 Capital Budget process.

2009 Pension Trust Payment

Mr. Cameron said that at the Capital and Operating Budget, Rate Setting, Pension and Legal Committee meeting they did not recommend a level of funding for the Pension Trust for FY 2009. Mr. Cameron said that the FY 2009 budget had a figure of \$360,000. The most recent pension trust actuarial study for January, 2008 recommended that no funds be put into the pension trust. However, Mr. Cameron went on to state that things have changed quite a bit on the economic front with respect to the pension trust and he thinks that the committee should recommend to the Board to deposit the FY 2009 budgeted amount of \$360,000 into the Pension Trust.

Discussion ensued.

Mr. Pacino made a motion seconded by Ms. Kearns to recommend to the RMLD Board that the RMLD deposit \$360,000 into the pension trust fund for the FY 2009.

Motion passed 2:0:0.

Other Post Employment Benefits

Mr. Cameron reported that recent legislation is requiring the towns and cities in Massachusetts, including municipal light plants, to recognize the liability of paying for future health benefits of its retirees.

Mr. Cameron explained that the Town of Reading hired Segal Company to perform an actuarial study of the Other Post Employment Benefits (OPEB) to determine the Town's liability on this issue. Mr. Cameron said that the RMLD Board was sent a copy of this study when it came out in December. Mr. Cameron said that he discussed this with the Town Manager and that the RMLD paid a portion for its share of the study.

Messrs. Cameron, Hahn, Soli, and Pacino attended a formal presentation of the study Segal made to the Town of Reading Board of Selectmen. The result of the study is that the RMLD's thirty-year liability on OPEB is between \$8 and \$12 million, based on whether a trust fund is funded annually or the costs are met on a pay as you go basis. Mr. Cameron said that the Committee does not have to make a decision on this now, however, he is considering including a funding amount for the 2010 Operating Budget.

Discussion ensued.

Mr. Pacino pointed out that Mr. Cameron is trying to level fund the 2010 Operating Budget, however, he seems to be including extra costs like the OPEB funding, which may make level funding difficult. Mr. Cameron reminded the Committee that level funding is his target but it may be not be attainable.

Discussion of Capital Budget expenditures Vice Chair's Memo Dated November 3, 2008 and Budget Variance Report Dated June 30, 2008

Ms. O'Neill said that over the past year there have been incredible variations in the budget versus actual balances presented to the Board on a monthly basis. Mr. Cameron said that he had seen them; in most instances there are good reasons for such variances. Ms. O'Neill feels that the budget process needs to be tightened up so that these variances aren't all over the place.

Mr. Cameron then went on to describe the upcoming budget process for FY 2010. Mr. Cameron said that he would like to be able to level fund the operating budget based on the recent historic levels. Mr. Cameron reminded the Committee that the RMLD's budgets are not line item budgets such as the Town of Reading's budget. Mr. Cameron went on further to say that he has heard first hand from municipal employees that have said that they need to spend their budgeted line items each year or they will have the money taken away from them the following year. Mr. Cameron said that RMLD does not operate its budgets in this manner. The RMLD does not spend solely based on the fact that the funds are budgeted. Mr. Cameron said the RMLD prides itself on the fact that if Department Heads save money not needed for operations this money can go to the bottom line.

Mr. Fournier asked if variances of more than \$10,000 could be listed and explained.

Mr. Pacino asked if The RMLD could get an update or explanation from Mr. Fournier on different variances of certain level.

Ms. O'Neill believes that the budgets should be built on a more realistic basis because there are too many items that are over or under budget.

Ms. O'Neill pointed out one instance where the education budget item of \$2,000 had an actual of \$43. Ms. O'Neill felt that this should not occur. In response to this budget item brought forward by Ms. O'Neill, it was explained that sometimes an employee is unable to attend school although that was their intention when the budget was created due to life events that occur after the budget process.

Mr. Cameron said that this example seemed like a small amount based on the RMLD's overall budget.

Ms. O'Neill said that it was just one example.

Mr. Fournier pointed out that maybe the budget versus actual should be rolled up to a higher level so that it would be shown that from the divisional level, where it can be seen that the actual spending is less than what is budgeted in almost all instances.

Ms. Antonio said that her training budget might not be spent because she finds training that is provided free of charge and would result in her budget being lower than what is in her budget.

Arrow Paper, January 17 and January 24 Payables Question

Mr. Cameron explained that the Purchase Orders (POs) had shown amounts purchased from Arrow Paper that exceeded the estimated amounts on the PO. Mr. Cameron said that it was unfortunate that this happened. Mr. Cameron said that when the RMLD bids some vendors for annual deliveries the PO reflects the estimated amount of the cost of what will be purchased from the vendor. If the estimated amount on the PO is approached then the Materials Management will issue another PO in amount that should carry the RMLD until the end of the fiscal year. Mr. Cameron said that he is having the POs checked to see if this happened on other POs. The Department will be more diligent in order to help circumvent this issue reoccurring in the future.

Ms. Kearns asked how does the RMLD know when a limit is being approached? Mr. Cameron responded that the POs are checked but in this instance the Arrow Paper PO got through.

Timing of the Gaw Engineering Bid to Budget

Ms. O'Neill was concerned that the Gaw Engineering bid went out in March 2008, was brought to the Board for approval in June 2008 prior to the FY 2009 Operating Budgets being approved. Mr. Cameron said that he brought this bid to the Board because he believed that the Operating and Capital Budgets would have already been approved prior to the bid going before the Board.

Discussion followed.

Ms. O'Neill said that in the future the Board should be apprised of such situations. Mr. Cameron said that he would do that.

Motion to Adjourn

At 8:35 p.m. Ms. Kearns made a motion seconded by Mr. Pacino to adjourn the Operating and Capital Budget/Pension/Legal Services Committee Meeting.

Motion carried 3:0:0.