

Reading Municipal Light Department

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

05/11/2009 Operating and Capital Budget /Pension/Legal Services Committee

Reading Municipal Light Department Board of Commissioners
RMLD Board of Commissioners Operating and Capital Budget /Pension/Legal Services Committee
Minutes Monday, May 11, 2009

Start Time of Regular Session: 7:38 p.m.

End Time of Regular Session: 9:38 p.m.

Attendees:

Committee Members:

Ellen Kearns, Chairman of the Committee	Richard Hahn, Member
Philip Pacino, Member	

Commissioners:

Mary Ellen O'Neill, Chairman	
------------------------------	--

Staff:

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

Ms. Kearns called the meeting to order at 7:38 p.m.

Review the 2010 Operating Budget

Ms. Kearns explained that the goal for the 2010 fiscal year Operating Budget is to keep the Operating Expense at the 2009 fiscal year level exclusive of power supply costs. The increase in the 2009 fiscal year budget to the 2010 fiscal year budget is \$192,509. Ms. Kearns wanted to know what is the motivating factor for this.

Mr. Cameron said that in developing last year's budget it was based on the appropriate amounts to run the operations of the Department, there was no fat. Mr. Cameron asked his Direct Reports to tighten up their budgets last year. Mr. Cameron pointed out that the labor costs are going up 2% for calendar year 2010. In fiscal year 2010 there are increases in depreciation, town payment and power supply.

Mr. Cameron stated that in fiscal year 2010 that there are decreases in the professional services and there will be no Halloween party, which is unfortunate that needed to be done. Mr. Cameron pointed out that the main reason for the increase in the fiscal year 2010 budget is funding Other Post Employment Benefits for \$377,059.

Ms. Kearns commented that last year the budget met the needs of the Department therefore will level fund for fiscal year 2010.

Ms. Kearns handed out the RMLD 2010 Operating Budget Draft 1 sheet that has been utilized by the Citizens' Advisory Board.

Mr. Fournier explained that this sheet summarizes and highlights major points on the \$87 million budget. Mr. Fournier said that about 88% of the budget when analyzed, the Department has no say in it. This involves power costs, fuel, depreciation, town payments, voluntary town payments, return on investments to the Town of Reading and contractual obligations.

Mr. Fournier pointed out that \$76 million is spoken for. Mr. Fournier stated that \$11 million is available to discuss. However, there are other factors such as labor, overtime, training, education, legal services, insurances, rent and bad debt expenses which are operating expenses.

Mr. Fournier commented that there is \$3.1 million that you can work with which represents less than 4% of the total operating budget. Out of the \$3.1 million there are necessary expenses such as tree trimming \$250,000 and conservation program for more than over \$500,000, general benefits and insurance \$200,000 as well as hardware and software contracts. Mr. Fournier commented that it is a highly fixed industry; there is not much wiggle room.

Ms. Kearns asked on the labor overall is staff being increased in any departments?

Mr. Fournier replied that there is one error in the E&O side because he forgot to put in an Apprentice Linemen therefore one has to be added. Mr. Fournier reported that the Station Department has been one less employee. The Energy Services has added one position, the Energy Efficiency Manager. The Engineering side a Station Operator left to take the Engineering Project Manager position in the Engineering Department and one of the Operational Assistants has been taken out of the E&O side and put into the Engineering Department. There are 81 employees and two contractors with Fisbach & Moore which totals 83.

Ms. Kearns asked Mr. Fournier, is it the position of the RMLD that it can function with 81 employees in fy 2010?

Mr. Fournier replied it is not just his position, but the direct reports as well.

Mr. Fournier reiterated that this is not a line item budget. Items are put into a line item format to give the reader a better understanding. The RMLD has to submit a budget for DPU purposes of the annual report and it is prudent to have a budget for the Six Year Plan.

Mr. Fournier pointed out that union contracts are coming up and he is planning a 2% on the labor side.

Business Division

Ms. O'Neill wanted clarification on total labor costs. A fair percentage of Mr. Fournier's labor is found under miscellaneous deductions?

Mr. Fournier replied that this needs to be improved upon in the future, it is charged to account 920 labor.

Ms. O'Neill then questioned total miscellaneous deductions of \$2,257,644?

Mr. Fournier replied that it reflects voluntary payments, interest expense, return of investment and amortization of bonds.

Ms. Kearns wanted to know under Cost Center 59 Accounting Department if there were any significant changes.

Mr. Fournier said that there has been no change in head out, outside services increased by \$20,000 because the Department needs the assistance of Paragon Software Solutions with software upgrades from Great Plains. Mr. Fournier said that he did not receive the billing from the Town of Reading therefore he calculated this figure. Mr. Fournier commented that tuition decreased because the employee has finished the Master's Degree program.

Ms. Kearns asked in January 2010 in the outside services is this reflective of the IT consultant, Paragon?

Mr. Fournier replied, "yes."

Mr. Fournier reported on Cost Center 62 Customer Service Department, the bad debt the Department usually runs \$100,000 to \$125,000 and has increased this to \$150,000. Mr. Fournier reported that Tier 1 for energy audits will be located in the Energy Services in the Conservation Programs.

Ms. Kearns asked what were the uncollected accounts last year?

Mr. Fournier replied that for the last three years of actuals they wrote off about \$100,000. Last year's budget, \$125,000. Based on what the Department is experiencing there are customers who have never called in therefore the increase.

Mr. Pacino commented that the budget format is spread out over twelve months; he would prefer two columns one for this year and one for the prior year.

Discussion followed on the budget format for the next fiscal year.

Ms. Kearns asked about the decrease in supplies from \$7,500 to \$1,500?

Mr. Fournier replied that the rebates have been moved to the Energy Services budget.

Mr. Fournier addressed Cost Center 61, he pointed out that there were seven employees in the Management Information Systems Department in last year's budget, however when one employee left was not replaced.

Ms. Kearns asked why the supplies went up from \$14,000 to \$24,000?

Mr. Fournier replied that this reflects what the Department spent historically.

Mr. Fournier reported that in Cost Centers 57/77 Miscellaneous Income Deductions the Depreciation Expense, Voluntary Payments, Customer Deposit Interest Expense, Return on the Investment to the Town of Reading, Lost and Disposal of Assets, Interest Expense on Bonds. Mr. Fournier explained how these figures are derived.

Mr. Fournier reported that on September 1, 2010 the RMLD will be making its last payment, and will debt free as far as bonds go.

Ms. Kearns asked Mr. Pacino as an accountant did he feel that the 3% depreciation is appropriate?

Mr. Pacino replied, "yes," it has been at the level before.

Mr. Fournier commented the standard is 3%, however, there is an option to petition to increase or decrease the percentage to the DPU. It is a source of capital funds it is not advantageous to keep changing this.

Energy Services Division

Ms. Parenteau presented the Energy Services Division fiscal year 2010 budget. Ms. Parenteau stated that the Energy Services Division decreased by \$92,500. The bulk of that was the decrease in expenses \$32,000, education \$10,000, office supplies \$500 and outside services \$50,000. The conservation budget for fy 2010 has increased \$6,000 that includes the labor from the Customer Service Representative and Energy Efficiency Engineer. The overall budget is down \$100,000.

Ms. Kearns asked on the outside services will the legal services of Attorneys Barna and Coyle be utilized?

Ms. Parenteau replied that ESD will be going out for power supply in this fiscal year and will utilize the services of the Ken Barna. Ms. Parenteau does not see anything significant for the use of John Coyle perhaps minimally on the transmission side.

Mr. Cameron said that the trend is for municipalities to share the expense amongst each other on issues that affect them directly. Ms. Kearns asked if the services of Mark Dean will be used in the next fiscal year?

Ms. Parenteau replied that his services will be used in the fiscal year.

Ms. O'Neill asked what would happen to the monies not used in the conservation programs?

Ms. Parenteau replied that Mr. Fournier is accounting for that separately, that the expenses are taken out of this account.

Ms. O'Neill said that in fiscal year 2009 all the monies collected for the energy conservation programs were not spent.

Ms. Parenteau commented that amount is \$147,000.

Mr. Fournier said that those monies collected will be used for more energy conservation programs in 2010.

Ms. Parenteau said that the Engineer Efficiency Engineer is working on the energy conservation programs there is no need to push out the programs to deplete those monies, they are utilizing the funds for programs in 2010, the monies will rollover.

Ms. O'Neill asked about the residential program DMS?

Ms. Parenteau replied that in the budget it is a 70/30 split for commercial/residential programs.

Discussion followed on the changing of the monies from Customer Service to Energy Services to fund conservation measures.

Ms. Kearns asked due to the Green Communities Act is there anything financially the Board needs to be aware of?

Mr. Cameron replied, "no." If there were any money for green issues from the stimulus package the town would get the monies, not the RMLD.

E&O Division

Mr. Sullivan explained that in Cost Center 55 E&O Manager that one Operational Assistant has been relocated to the Engineering budget.

Ms. Sullivan pointed out that the Engineering Department Cost Center 65 has increased due to the relocation of the Operational Assistant and the new hire of the Engineering Project Manager.

Ms. Kearns asked what prompted the need for the new engineering position?

Mr. Sullivan replied that the new engineering position, this employee will work on the joint pole relocation, GIS validation, and ERT loop out. It will free up the Chief Engineer to perform managerial duties.

Mr. Sullivan then reported on Cost Center 66 Line Department in which there are two additional employees this year. Labor Miscellaneous shows an increase of \$24,750. There is a decrease in General Expenses of \$7,000 due to three year averaging. Education is decreased \$5,000.

Ms. Kearns commented that the three-year average for education is \$31,000 whereas the decrease does not reflect this.

Mr. Sullivan said that he has two vacancies to fill and these employees will have education needs.

Mr. Fournier commented that this includes NEPPA training.

Mr. Sullivan reported on Cost Center 66 Labor OT Streetlights up \$3,480 based on 2009 expenditures. Maintenance of Lines decreases by \$172,000 that is indicative of a change in the police details for the capital projects.

Engineering & Operations Division Ms. Kearns asked for an explanation for the decrease?

Mr. Sullivan replied that the police details change from capital to expense breakout, more police details for the amount of hours in capital. The 35 KV maintenance of lines this expense has been removed from the operating side.

Discussion followed on the reclassification of the \$172,000 and what portion will be found in capital.

Mr. Sullivan said that there will be an increase in the labor maintenance of lines of \$64,131 which is the annualized actual which also includes storms.

Discussion followed on the maintenance of lines not being performed on overtime.

Mr. Sullivan reported that the Vehicle Maintenance expense increased by \$25,716. Maintenance of Underground lines increase of \$37,405 based on the annualized average and three-year average. Tree trimming reduction of \$230,518 that is based on utilization of a single tree trimming crew for fiscal year 2010. The total reduction for the Line Department from fiscal year 2009 to 2010 is \$238,319.

Ms. O'Neill asked if these reductions were from the reforecasted 2009 budget or the original budget?

Mr. Cameron replied that the decrease reflects the original budget.

Ms. Kearns pointed out that in the tree trimming she has noticed a single tree crew.

Mr. Sullivan said that the single tree crew started on February

1.

Ms. O'Neill commented that it had paid off to have more than one tree crew.

Mr. Sullivan has not seen a backlog on the tree trimming by reviewing actual information provided by the employee that oversees the tree trimming crews.

Mr. Hahn clarified that on the tree trimming \$249,000 has been budgeted whereas the three-year average is \$258,231.

Ms. O'Neill commented that the Line Department has three new positions what are they?

Mr. Sullivan replied that there is a First Class Linemen and Apprentice Linemen that are new hires, whereas one Apprentice Linemen is coming from the Station.

Future positions and openings were discussed.

Ms. O'Neill wanted to know the capital/operating split.

Mr. Fournier replied that 74% is capital and 26% is operating on the line side.

Ms. O'Neill wanted to know why such a high increase in the labor for the capital budget?

Mr. Cameron said that the labor split last year was 85% capital and 15% operating.

Ms. Kearns asked if the additional staffing in the line department have any effect on the amount of overtime worked?

Mr. Sullivan replied that there is a diminish effect in that thinking. The Apprentice and First Class Linemen need training to bring them up to fully trained.

Mr. Sullivan reported that in Cost Center 67/80 Meter Department there is an increase of \$5,632.

Ms. Kearns asked if the AMR was solely residential meters?

Mr. Cameron replied that some commercial meters are remotely read.

Mr. Sullivan reported that in the Station Cost Center 68 there is a reduction of \$80,776. Mr. Sullivan reported there will be an increase of \$27,264 in the Labor Regular for the Station Supervisor.

Ms. Kearns asked the three-year average came in at \$37,000 now it is coming at \$76,000 what happened?

Mr. Fournier replied that this is due the labor for the Station Supervisor was being capitalized for the Gaw station last year.

Mr. Sullivan reported that in Cost Center 68 of \$159,566 that includes the previous \$80,876.

Engineering & Operations Division Mr. Sullivan pointed out that the Senior Tech Expense has been decreased \$7,000 to reflect the three-year average.

Ms. Kearns asked what are the Senior Tech expenses?

Mr. Fournier replied that this is for substation testing.

Mr. Sullivan said that there is an increase of \$72,620 for the Labor Regular this represents the capital/operating split.

Mr. Sullivan reported that Education expense has been reduced to \$7,000 from \$20,000.

Ms. Kearns asked the three year average on labor is \$235,517 and is being cut down to \$107,745 what is the actual for that?

Mr. Fournier replied that the time last year budget's the Senior Techs time was being allocated to Gaw capital projects.

Ms. Kearns asked how many employees does the \$107,000 represent?

Mr. Sullivan replied that represents the staff of three Senior Techs.

Ms. Kearns asked the Transformer Maintenance was \$216,000 now is \$93,000?

Mr. Sullivan replied that there is a reduction of \$122,500 because of the new transformers at Gaw.

General Manager Division

Mr. Cameron reported that reduction in education of \$1,000, and office supplies \$1,100. Outside Services and Miscellaneous General remained the same.

Human Resources Division

Ms. Antonio reported that the overall budget decreased \$226 from 2009. Employee Education went down \$2,000 because the RMLD received some grant funds, Miscellaneous General Expenses down \$4,500 by reducing the Employee Recognition Event, Advertising has been done online to reduce the expense of advertising in the newspaper. One increase was Outside Services from \$50,000 to \$75,000 because of two arbitrations and three contracts that need to be negotiated in this fiscal year.

Community Relations Division

Ms. Antonio said that this budget is down \$17,710. The Halloween party has been canceled with a cost savings of \$9,000. The brochure project has been reduced by \$10,000 and the informational advertising has been reduced by \$3,500.

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. Donahoe reported on Cost Center 53 General Benefits, increased \$4,000 for pay raises and office supplies have been reduced by \$200.

Ms. O'Leary stated that \$7,000 has been budgeted for a property appraisal which has not been performed in recent years.

Ms. O'Leary stated that 10% increase has been put in the budget for this fiscal year for insurance.

Ms. Kearns asked how often the Department goes out to bid on the insurance?

Ms. O'Leary replied that the Department is in its fourth year with the insurance. She is looking to go out for an RFP for an insurance consultant and hopes to have this person on board by July 1.

Mr. Fournier reported on the Employee Pension and Benefits. There was an increase due to the funding of the OPEB in the amount of \$377,000. Mr. Fournier said that in order for the Pension Trust to be fully funded it might require an additional \$100,000 of funding.

Ms. Kearns said that this represents an increase of \$645,000.

Ms. Antonio pointed out that the health insurance has been decreased by \$70,000.

Ms. Kearns asked about injuries or damages.

Mr. Fournier explained that the Department has insurances for property damages and workers compensation.

Ms. O'Leary commented that for claims under \$5,000 the Department pays out the smaller settlements.

Mr. Donahoe pointed out that he has level funded or decreased many of the costs in Cost Center 63 Transportation wherever possible.

Discussion followed on vehicle repairs and the difficulty in finding a pool of vendors to choose from because the local mechanics at gas stations do not have the equipment to analyze vehicles that are found at dealerships.

Ms. O'Neill questioned the tie in on of the numbers in the classification Capital Credit 01-63-5933-109 because the numbers do no tie in.

Mr. Fournier said that this is something that he needs to update because these are prior account numbers.

Mr. Donahoe then addressed Cost Center 64 Building Maintenance Services has been decreased or level funded with minimal increases.

Ms. Kearns stated that she is happy that AccuAire billings have diminished.

Mr. Donahoe said that the Department has a new company Alpha Mechanical. Mr. Donahoe commented that the 105 budget includes such items as locks, sign painting, excavation and HVAC. Mr. Donahoe that on average \$50,000 is spent on the HVAC system.

Mr. Pacino asked when does the Department use excavation?

Mr. Donahoe replied the Department has used the town or outside vendors to perform smaller projects.

Ms. O'Neill asked how does the RMLD account for cooling?

Mr. Donahoe replied that Mr. Seldon had the Meter Department put a meter in the RMLD's transfer room which is takes into account all RMLD's electricity for the Ash Street facility. Mr. Donahoe said that Mr. Seldon tracks this.

Mr. Fournier added that the RMLD's electric usage is reported in the DPU report pages 58 and 59, Losses and Internal Use.

Ms. O'Neill asked if this includes the substations as well?

Mr. Cameron replied, "yes."

Ms. O'Neill asked does the Department have a conservation program for the electric and water?

Mr. Donahoe replied that he has spoken to Mr. Carpenter on this issue. Mr. Donahoe explained that he tired to get rid of metal hallet lamps and Mr. Carpenter is working on this. Mr. Donahoe shuts off the irrigation there is a newer system for irrigation systems that creates an automatic shut off for the irrigation system.

Ms. Kearns asked if there is anything from the security report that the Department should be funding?

Mr. Donahoe replied that one of the recommendations is an increase in the number of cameras however, that is found in the capital budget, maintenance is addressed in the operating budget.

Ms. O'Neill asked if some of the damaged trees can be replaced with two trees?

Mr. Cameron said that he can look into this.

Mr. Donahoe then addressed Cost Center 60 Materials Management. Mr. Donahoe has decreased and level funded where possible.

Ms. Kearns asked Mr. Donahoe is satisfied with the vendor the Department uses for its FR clothing?

Mr. Donahoe replied he is satisfied with the FR vendor they in fact created a custom catalogue for the RMLD.