

Reading Municipal Light Department (RMLD) Board of Commissioners

Policy Committee Minutes

Thursday, April 23, 2015

General Manager's Conference Room

Start Time: 7:35 a.m.

End Time: 8:53 a.m.

Attendees:

Committee Members: Messrs. Pacino, Stempeck and O'Rourke

Board Members: Mr. Talbot, RMLD Board Chairman

RMLD Staff: Mses. O'Brien and Foti, Messrs. Jaffari and Price

Guest: Christopher Pollart, Esquire, Rubin and Rudman

Call Meeting to Order

Chairman Pacino, Chair of the Policy Committee called the meeting to order at 7:35 am.

Continued Review of Board Policies

Ms. O'Brien reported that the trucks sold at the auction. In a discussion with Powers & Sullivan, RMLD can reasonably assume that the trucks will come in at less than \$10,000 then go to auction. The trucks sold for \$8,000, \$8,000 and \$10,000 cost after commission.

JJ Kane, auctioneer, as well as a couple of people attended the auction. Everything at this auction sold very high due to the bad winter indicated by the pricing of all the trucks. One of the same exact trucks that sold for \$8,000 when the auditor was here RMLD traded one in with the RMLD receiving \$3,000 from both bidders. Even though trade in is acceptable by law, it may not meet the best objective of garnering the best value. However, trade ins can be preferable because they are easy because it is not arguable. Mr. O'Rourke pointed out that at the last meeting, trade ins are easier, the RMLD's core business is not selling vehicles, it is selling power. If you hold out there is a cost to doing that. The assets, the three trucks were fully depreciated. What is the cost, you will have a delta of a few thousand dollars, you can expend a lot of time and still receive the trade in value. Ms. O'Brien pointed out that much time and money has been expended on this issue.

Ms. O'Brien explained that Policy 2, Surplus Material has already been approved. There are minor changes in this proposed revision to Policy 2. The change was to state that scrap value may or may not have a tangible resale or salvage value. Also added was scrap that has no tangible resale or salvage value. Scrap having value would be placed in the proper category, substantial value, moderate value or nominal value. Another change was to take out offering the commercial electric rated trucks to the towns. Mr. O'Rourke clarified that is correct to say with respect to the town is that the first step is that a fair market value is to be established, then except for the exclusions the towns would be given the first opportunity. Ms. O'Brien explained that surplus material that the RMLD has will be offered to the towns with the exception on electric rated trucks. Mr. O'Rourke reiterated that a fair market value assessment will be made. Ms. O'Brien replied that is correct. Mr. O'Rourke said that this will also be for all categories, the moderate and substantial value

Mr. Stempeck added that the towns have the first right of refusal. Ms. O'Brien added that with this current revision of the policy, if it is non electric rated, if the RMLD has a pickup truck with a plow, the Kelley Blue Book will provide the value, there is trade in and retail. The electric rated trucks when RMLD obtained pricing for these vehicles they ranged from \$1,700 to \$13,500. What is interesting is that the trucks that sold for \$8,000 valued at \$13,000, the truck that sold for \$10,000 was valued at \$1,700. This is representative of the fact that the pricing is all over the place. The auction prices are driven by the needs of the purchasers. The tough winter brought the values of bucket trucks up a number of reasons including tree and snow removal jobs. At the auction, it is whether the potential buyers looking for a sixty foot extension for tree use or a forty foot extension for home use. It is all contingent on the will of the potential buyers.

Mr. O'Rourke questioned on a substantial value item that is allowed to be offered to the town, if the town offers fair market value can you reject that because it is a substantial value item. Mr. Pollart said that the way the policy is drafted something of substantial value that is not electric this electric utility specific equipment, if the towns are willing to pay fair market value it is theirs.

Continued Review of Board Policies

Ms. O'Brien pointed out that if you have electric rated trucks you receive pricing of \$1,700 or \$13,000 what do you offer to the towns because you do not have the Kelley Blue Book. Ms. O'Brien said that if a car is offered to the town with the range on retail and trade in is \$600 the average can be picked. If you have an electric bucket truck in which four appraisers come in, two have looked at the truck whereas two have not, with prices ranging from \$1,700 to \$13,000 what do you offer it to the town for if the objective is to garner the best value is has to be the \$13,000. Ms. O'Brien said that the towns can go to the auction. Ms. O'Brien said that is non electric utility rated vehicles. Mr. O'Rourke said that any items that are non electric utility rated, the RMLD will obtain a fair market value then the town would be provided the opportunity to purchase and if it is within fair market value, there will be no quotes or bids. Ms. O'Brien agreed that is correct. Mr. Stempeck asked Mr. Pollart if he has reviewed these policies and is he satisfied with them. Mr. Pollart stated that he is fine with the policies. Mr. O'Rourke said that one of the items he thought he agreed upon in IV of the policy that it is not the responsibility of the Board to proactively pre approve the surplus that there would be a monthly report. Mr. O'Rourke said that it does not state that anything of a certain criteria should come to the Board, he is not sure if that needs to be tightened up. The policy reads. "The General Manager may require any additional reviews, the General Manager shall make such reports". Mr. O'Rourke asked committee members if they want more specific language to include language for substantial value. Mr. O'Rourke said that the Board is periodically that something of substantial value. Mr. Stempeck said the General Manager makes a report on items of substantial value on a monthly basis to the Board. The committee members agreed by virtue of the substantial value is greater than \$10,000 that is what they want reported, no formal vote was taken.

Ms. O'Brien reported that the scrap wire bins are full. Ms. O'Brien said that the RMLD needs to obtain three prices. Ms. O'Brien said that she would be discussing the issue with Powers & Sullivan.

Mr. Pollart reiterated that the change in the policy shall read that: all disposals other than scrap material having no tangible or resale salvage value shall require administrative reviews of the General Manager. The General Manager shall make reports monthly on surplus having substantial value. The committee agreed that the General Manager will report on the sale after the fact, no formal vote was taken.

Mr. O'Rourke made a motion seconded by Mr. Stempeck to approve revision changes subject to final revisions to RMLD Surplus Policy, Number 2.

Motion carried 3:0:0.

Ms. O'Brien then addressed Policy 9, Procurement. Ms. O'Brien said that there were changes in the laws which impacted the values which differs in this policy because it is based on criteria that is twenty years old, this also includes MGL Chapter 30B and Chapter 164. This policy had to be changed to be consistent with the law. Mr. Stempeck clarified that the purchase of power is exempt and not contained in the policy. Ms. O'Brien agreed that was correct. Mr. O'Rourke asked about the vendor list, how does that work, is it looked at regularly, the policy does not address this. Ms. O'Brien asked if the committee wanted to change this. Ms. O'Brien stated that in Policy 2 it states that the list shall be reviewed every six months and updated as necessary. Mr. O'Rourke clarified that the RMLD has a vendor list that is updated and reviewed. Ms. O'Brien replied that is correct. Mr. Pollart commented that this is an operational question as to whether internally where it is updated.

Ms. O'Brien said that it should be consistent. Mr. O'Rourke said that he does not want it to be onerous. Ms. O'Brien said that perhaps the six months review should be in the procedure not in the governing policy. Mr. Pollart was in agreement because a review period is an operational item. Ms. O'Brien said that is why John Story was hired in order that there could be procedures under the policies. There are vendors that might change every six months. Mr. Pollart said that review should be in the policies, but not the timeframe. Mr. Stempeck asked if there are situations where three vendors cannot be secured due to the uniqueness of the item. Mr. Stempeck suggested adding the language if there are three available. Mr. Pollart said that you can attempt to solicit. Ms. O'Brien said that can happen on occasion, on the quotation if you attempted three calls. Mr. Pollart said the language that could be added is if reasonably available.

Continued Review of Board Policies

Mr. O'Rourke made a motion seconded by Mr. Stempeck to approve revision changes subject to final revisions to RMLD Procurement Policy, Number 9.

Motion carried 3:0:0.

Ms. O'Brien had previously provided a policy matrix to the Board that delineates what should be operational and governance (Board policies). Ms. O'Brien said that there are a few policies that can go either way, therefore can remain governing. Ms. O'Brien stated that policies that are operational will become procedures. Ms. O'Brien pointed out that policies will always be under the Board of Commissioners. Drug and Alcohol testing will be a procedure. The format will remain the same. Mr. O'Rourke noted that the Drug and Alcohol policy could be both where it could be both a policy and a procedure because it is more far reaching. Mr. Pollart added that Drug and Alcohol is heavily controlled by law there is not much the Board can do from a policy perspective. Mr. Pollart added that however, Mr. O'Rourke's point is very well taken. Driving the distinction between operational and governing is not always that easy. Mr. Pollart added that we did go through this with staff to take a stab at what the majority of the aspects of the policy whether they were operational or governing. If it is labor and employment that is operational, it defers to Ms. O'Brien's authority as General Manager. If it is fine detail such as Policy 2 where it is how to, it is more operational. Mr. Pollart said that as he went through Policy 2 there are aspects that are fine detailed in what the department does and how it does it, therefore that lends itself to being operational. Mr. Pollart said that due to the overtones that may be associated with a policy the Board may want to hold onto it. Mr. Pollart said there are four policies that can go either way, what would work best, Policy 2, Surplus Material, Policy 9 Procurement, Policy 24 TQM initially it makes sense to dissolve that. Chairman Pacino recommends to dissolve that, but it is an operational policy. Mr. Pollart added that Anonymous Policy 25, the way to deal with it is operational. Chairman Pacino asked if we have Whistleblower Policies in place already. Mr. Pollart responded that there are whistleblower laws. Mr. O'Rourke said that there should be a caveat that commission members are available for communication. Chairman Pacino said that the policy has become cumbersome. Mr. Pollart said that from a legal perspective the Whistleblower statutes are designed to protect people who come forward in a non anonymous fashion. Mr. Pollart said that if you come forward in a non anonymous fashion there is the opportunity for dialogue. It provides an opportunity as to what the facts are. Mr. Pollart said that from a lawyer's perspective with an anonymous letter there is no way of checking it. Mr. O'Rourke said that to play devil's advocate whether a whistleblower they will not get promoted.

Ms. O'Brien said that the discussion is about what policies can be vetted out to the operational side. Mr. O'Rourke asked if there is an ethical policy. Mr. Pollart responded that there is not. Mr. Pollart added that there is the state ethics training with periodic training which is established by state law. Mr. O'Rourke said that it would serve RMLD well to have respect in the workplace when it comes to termination that ties into your ethical conduct policy. Mr. O'Rourke said that it was surprising to him that an ethical policy does not exist. RMLD has a sexual harassment policy and question if that could be broadened for bullying.

Mr. O'Rourke pointed out that laws do cover some items in the workplace, but it is better if they are in a policy where employees and managers can look at versus quoting the law. Mr. Pollart said that is entirely an appropriate area for the Board to make a decision on. Mr. O'Rourke said that if it is not in standard operating procedure he would like it covered in other ways. Mr. Stempeck asked is in it the policy that the RMLD abides by the state ethical laws. Mr. Pollart said that sexual harassment is heavily controlled by state law and you do not want to broaden that policy to do anything other than sexual harassment. Mr. Stempeck added that every corporation that he goes into he sees we support our employees with a plaque on the wall and there is language as well that covers ethics the RMLD does not have that. Mr. Talbot said that it is nice to have an expert with Mr. O'Rourke's background and instinct on these items. Mr. O'Rourke stated that we do not want to have many policies. Ms. O'Brien said that she and Mr. Pollart will discuss the four policies and get back to the Board. Ms. O'Brien said that the operational policies could potentially become procedures such as Policy 26 for CDL licenses. Mr. Pollart was in agreement with this. Ms. O'Brien said that Policy 26 was put in the back of the LMS contract and did not match the RMLD policy.

Continued Review of Board Policies

In lieu of the Drug and Alcohol Policy there could be a procedure for management. Mr. Pollart added that drug and alcohol testing is heavily regulated by state law. It could go either way on that where it can be broadened from a policy or procedure. From a policy perspective, the Board can pass a policy that says as a policy we want all employees of the RMLD who are not otherwise CDL to be tested in a similar fashion. Ms. O'Brien pointed out that when she spoke to a labor attorney she was told it was a negotiable item. Mr. Pollart added if not otherwise covered. Mr. Pollart explained that it is not a negotiable item for the General Manager because she is not in a union, it is for all non union personnel. Mr. Pollart said that for union personnel CDL testing the Board has some control over that because under state law the Board is the entity who is responsible for union negotiations not one of the areas that the manager is in charge it is the Board. Mr. Pollart said that would come out of labor negotiations. Ms. O'Brien said that for the next committee meeting, Policy 19 Board of Commissioners and Policy 5 Overnight Travel will be discussed. Ms. O'Brien pointed out that all the policies listed are currently Board policies with an attempt to get some operational. Mr. O'Rourke asked Mr. Pollart is he and Ms. O'Brien suggesting policies would be relative to the Board with the remainder being procedural. Mr. Pollart agreed. Mr. Pollart explained that policies are a buzzword under Chapter 164 and policy is within the Board's role. Procedure and technical detail are an operational aspect within the General Manager's role. Mr. Pollart said that to divide the policies makes it more efficient internally to revise a procedure and the Board to keep the focus where it needs to be. Ms. O'Brien said that her goal is to work on the policies that will remain policies not procedures first. Mr. O'Rourke commented that there many items covered in state laws and statutes, but from a practical administration with employees, you can point to the chapter in the manual. Mr. O'Rourke asked if the RMLD has an employee handbook. Ms. O'Brien stated that the RMLD does not have an employee handbook as well as a service, terms and condition handbook which are both on the list. Mr. Pollart added that many light plants do not have them.

Ms. O'Brien said that Policy 19 stays as a policy and with the revisions to Policy 5 it will determine as whether it stays a policy.

Mr. Talbot asked if there is an overall template for these policies statewide, does every municipal light plant parses each policy individually. Mr. Pollart noted that the RMLD is way out in front. If a municipal light plant has anything it is set and forget.

Discussion of RMLD's Fiber Optic Network

Mr. Talbot stated that fiber falls into the strategic camp. The RMLD has a thirty seven mile loop. In twenty years, it leases and the manner that the RMLD has dealt with the fiber was as a business which was handled by the General Manager. The fiber optic issue has never come before the Board. Mr. Talbot disclosed that he has a job at Harvard Law School where he studies municipal fiber optic networks, Reading is not being studied, there is no overlap and he is not getting paid. Mr. Talbot said that he knows something about this. There are many municipal light departments that have had success with fiber optic. They have saved their towns lots of money by self provisioning their own department, city hall and schools with Internet versus going to Comcast or Verizon. Putting competition in the market reduces prices overall and helps economic development.

Mr. Talbot said that we need to be thinking of these things. An immediate question that he has for Ms. O'Brien, there is a contractor that wants to add a fiber backbone through RMLD's service territory which speaks to where the growth is. Mr. Talbot pointed out that sales are flat, what RMLD is going to do. There is another whole type of business that is growing where a third party wants to add infrastructure. There are two things he would like to make sure of that the Board should be informed which is an opportunity for RMLD to build more fiber than what they are asking for. The incremental cost of added for capacity for future use is trivial. Mr. Talbot noted that Holyoke has a big data center initially put in twelve strands then put in an additional one hundred thirty strands which can be leased. Ms. O'Brien said that the fiber optic is put in at no cost to the RMLD, the RMLD owns it. That is how the fiber optic look got built. Mr. Talbot said that Lighttower is building the fiber optic for their uses, but the RMLD should be adding fiber for future use.

Discussion of RMLD's Fiber Optic Network

Mr. Talbot said that the way the RMLD should approach this is that the town broadband committee could be involved, there has to be a pull from the community. Mr. Talbot said that each respective towns should study what it is spending on these things, what are their needs and can the RMLD do better than that. Ms. O'Brien asked Mr. Talbot if he knows what the town is using the fiber for, he did not.

Mr. Price explained the genesis of fiber. In the late nineties, RMLD put up its own seventy two fiber that loops out to RMLD's substation and back to RMLD. This was originally done for communications with the substation. Mr. Price said that they lease off the loop and have some spurs off the fiber. One goes up to North Reading and the other goes out to Woburn. When Lightower wants to lease off the RMLD they come in from Woburn and with North Reading they go to Andover. Mr. Stempeck asked if Lightower is the leasing agent. Mr. Price responded that the RMLD has an indisputable right of use agreement. Ms. O'Brien explained that Lightower comes in, goes around the loop and their customers could be outside of Reading. Mr. Price added that they have hit cell towers within RMLD's service territory. The way the loop is broken up if they use half the loop they pay to use all the fiber whether they have or not. If they use two thirds of the fiber on the west side of Reading they pay for the other two thirds. It is dark fiber as well as heavy fiber. Ms. O'Brien asked Mr. Price how many strands the RMLD is currently using. Mr. Price responded that the RMLD is using two tubes, with twenty four dedicated to the RMLD. There are blue and orange tubes which has twelve fibers in each tube. Mr. Talbot asked if any business has been asked to be hooked up to the fiber. Mr. Price responded, no.

Mr. Talbot explained that at a high level towns have a study committee which identifies what they pay now for Internet services then the consultant can look if the services can be provisioned for less cost. Mr. Talbot said that he is performing a study in Holyoke, he is knowledgeable about them. Mr. Talbot reported that Holyoke is saving \$100,000 internally versus leasing lines, telephone. There is a similar savings there for town halls and schools receive. If these parties had to go out on the private market it would cost them \$300,000 annually. Mr. Talbot said that this has to come from the towns we cannot figure out their needs. Mr. Talbot said that he will be asking the town what we do now and what they are spending then the RMLD can look where the fiber loop is and see if it is a business that the RMLD can get into and run the numbers similar to a solar site. Maybe the RMLD can get an expert in what the towns are doing to look at where RMLD's loop is. Mr. Price added that Reading has its own fiber that connects all their municipal buildings, the school, the fire department, but is uncertain if it goes back to town hall. Mr. Price pointed out that Wilmington put in its own fiber and is uncertain about North Reading. Mr. Talbot asked if they lease from any private company. Mr. Price responded that he is uncertain. Mr. Stempeck commented that they get their Internet access from that. Mr. Price said that he thinks it may all go to town hall. Mr. Stempeck asked are they associated with Lightower. Mr. Price replied, no. Mr. Price noted that they ran the fiber through all the buildings, it could be at town hall and is unsure who their provider is. Mr. Talbot asked if that is an Intranet. Mr. Talbot said that this is an example where we do not know all the details. Mr. Talbot said this may present opportunities to save all the four towns money. Mr. Talbot commented that the RMLD should get an expert to see how RMLD can benefit from this.

Mr. Talbot said that this is something that the Board should be involved with. Mr. Stempeck added that we should at least know what the boundaries are because if there is a lease agreement in place it may be difficult to replace it.

Mr. Price explained the contracts usually have you locked in for the first three years and there is a renewal process annually. Mr. Stempeck asked if Lightower is using cell tower communication. Mr. Price explained that Lightower they leased out fiber and have reached out to the cell towers. Lightower has leased communication to Winchester Hospital and Wilmington Health Center. Mr. Price mentioned that they aggregate different fiber from different areas. Mr. Talbot clarified that Lightower uses RMLD fiber to reach out to a cell tower and provide back to carriers. Mr. Price noted that one of them was Metro PCS in which they hit a bunch of towers brought fiber in and fiber out. Mr. Talbot clarified that Lightower is making money from Metro PCS. Mr. Price agreed. Ms. O'Brien added that the RMLD is making money. Mr. Talbot said that is what Lightower is making from Metro PCS. The wireless business is exploding and this is where the growth is. Mr. Talbot noted that the RMLD does not have a telecom person in house.

Discussion of RMLD's Fiber Optic Network

Mr. O'Rourke said that his only caution is that the Board should stay involved and be involved, but needs to hook back here. If we get too ahead from the Board's perspective, it will be driven back into the operational side. Mr. O'Rourke noted that it was mentioned that two things need to happen due diligence which Mr. Talbot could do, but worries, Mr. Talbot responded he is not doing it, Mr. O'Rourke added that we all know the importance of the revenue piece. Ms. O'Brien clarified with Mr. Talbot what are his expectations. Mr. Talbot added that if \$225,000 were spent on other studies for the electric side it is worth it at a cost of a tenth of that to bring in a knowledgeable person to look at what are the loops and what are the deals the towns have and see what an opportunity it maybe for the RMLD. Mr. Stempeck said that before that we need information on how much the RMLD is making on the leases, what the leases look like and the parties involved then proceed to the next step. Mr. Price stated that all the fiber lease agreements are with Lightower. Lightower provided the opportunity to RMLD to lease out the fiber and make money. Chair Pacino said that at a Board meeting a presentation can be made to fully discuss this. Mr. Talbot said that the RMLD needs to get expert eyes to look at this, our network foot print to come up with suggestions. Mr. Stempeck commented that one thing to bear in mind is that with Comcast and Verizon there may provisions within their contracts that may prohibit this. Mr. O'Rourke asked if there is anything contained in the most recent studies that address fiber. Ms. O'Brien responded that is mentioned in the Reliability Study.

Mr. Pollart explained that to the extent that you hang fiber and it is for light plant such as interconnecting substations back to SCADA that is an appropriate electric expense. To the extent you decide to go into the Internet business, enter contracts with Comcast and buy the head equipment that becomes a different expense that is not an electric expense, you have to come up with that money. Mr. Talbot commented that you have come up with a revenue model. Mr. Talbot said that the RMLD is leasing it out to a telecom company and is already in that business de facto. Mr. Pollart noted that to the extent you need \$5,000 for head end equipment you have to set a loan between the money that RMLD has and is legally able to loan out or you need to go to the town of Reading for a bond obligation. Mr. Talbot said that the way this is done is incrementally. The fiber is near industrial park and the low hanging fruit is the industrial park to get them in advance to sign up and there is the revenue model. Mr. Price added the RMLD is not building with its own money, the RMLD is receiving the money. Mr. Talbot added the flip side is that when you are building the incremental costs for one hundred strands is trivial. The money is in the labor and pole attachments. If there is construction to put up strands if you look at the numbers, the cost is low. Mr. Talbot said that he mentioned at the CAB meeting to gather the information on what each town is spending then have an expert look at this. It is a guaranteed revenue model. Ms. O'Brien said that Mr. Price will work with Mr. Jaffari to come up with a presentation. Mr. Price added that as far as revenue with the fiber optic, the RMLD is receiving \$50 per fiber per month. Ms. O'Brien said that the RMLD looked at what other towns were receiving revenue wise and this was pretty high. Mr. Price mentioned that besides RMLD, Braintree was one of the first utilities to hang fiber. Other towns have used a contractor for the fiber installations. Ms. O'Brien said that when Lightower builds a spur it spends their own money. Mr. Price explained that Lightower they lease the fiber that they have installed from the RMLD. Mr. Jaffari clarified that the Board would like a presentation on the current status of the fiber loop, how much money RMLD is making and general facts.

Mr. Talbot said that no one has the knowledge if that information is good or bad. Mr. Talbot added that the research group that he is spearheading their event is two months down the road and will address Holyoke, which will be held at Harvard Law School on July 8. Mr. Stempeck said that he is interested in this for fiber for internet access only.

Mr. Pollart added to the extent that municipal light plants are doing fiber, Westfield, Holyoke, Taunton Shrewsbury and Braintree their finances are publicly available if you want to see how they are doing. Mr. Talbot added that on the fiber they cannot make more than the eight percent. Mr. Pollart noted that the eight percent applies to the telecom as well.

Schedule Next Meeting

Policy Committee meeting will be scheduled by Ms. Foti.

Motion to Adjourn

At 8:53 a.m. Mr. Stempeck made a motion seconded by Mr. O'Rourke to adjourn the meeting.

Motion carried 3:0:0.