



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2018-10-09

Time: 06:30 PM

Building: North Reading Town Hall

Location: Room 5

Address: 235 North Street, North Reading, MA

Session: Open Session

Purpose: General Business

Version: Final

Attendees: **Members - Present:**

Mr. Dennis Kelley, Chair (Wilmington); Mr. Jason Small, Vice Chair (North Reading); Mr. Vivek Soni, Secretary (Lynnfield); Mr. George Hooper (Wilmington)

Members - Not Present:

Mr. Neil Cohen (Reading)

Others Present:

Mr. John Stempeck, Board of Commissioners
Ms. Coleen O'Brien, Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Ms. Jane Parenteau, Ms. Tracy Schultz

Minutes Respectfully Submitted By: Mr. Vivek Soni, Secretary

Topics of Discussion:

1. Call Meeting to Order – D. Kelley, Chair
Chair Kelley called the meeting of the Citizens' Advisory Board to order at 6:30 PM.
2. CY19 Budget Presentation

Capital Budget – H. Jaffari, Director of Engineering & Operations

Mr. Jaffari reviewed projects completed or scheduled to be completed by December 31, 2018, including the Woburn Street Pole Line Upgrade in Wilmington and the 115kV Transmission Line Upgrade. Mr. Soni asked about pole inspections and Mr. Jaffari explained how 10 percent of poles are tested annually. Mr. Jaffari then went through the list of projects continuing in CY19, including Pad-Mount Switchgear Upgrades, Grid Modernization and Optimization, New Wilmington Substation, and Getaway Improvements at Station 4. Mr. Jaffari reviewed new projects including MA-125 Pole Line Installation for the New Wilmington Substation, Underground Line Extension on Marion Street in Wilmington, 5W5 Andover Access Road Upgrade in Wilmington, and 211-502 and 211-504 Fiber Line Extension at Station 4. Mr. Jaffari then went through the list of annually budgeted and recurring projects.

Discussion ensued regarding the best way to present the Capital Budget to the Citizens' Advisory Board in the future.

Mr. Hooper made a motion that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2019 Capital Budget in the amount of \$7,804,373 as presented on October 9, 2018. Any significant changes are to be submitted

to the Citizens' Advisory Board for review and recommendation, seconded by Mr. Soni. Hearing no further discussion, **motion carried 4:0:1** (4 in favor, 0 opposed, 1 absent).

Operating Budget – W. Markiewicz, Director of Business, Finance & Technology

Ms. Markiewicz explained that the overall Operating Budget is projected to decrease by 2.94 percent with an ending balance of net income of \$3.5 million. It's anticipated that fixed costs will account for 80.7 percent of the overall CY19 Operating Budget, of which 71.44 percent is power supply. Fixed costs decreased by about 4.26 percent from FY19 to CY19 due to power supply. The depreciation expense is \$4.5 million. There's discussion regarding the \$2.5 million return on investment to the Town of Reading so it has been left flat. Town payments are based on 2 percent of net plant and total almost \$1.6 million. Disposal on property is about \$100,000. Semi-variable costs represent 19.3 percent of the overall Operating Budget, which is a 2.67 percent increase from FY19 to CY19. Labor is 7 percent at \$6.6 million. Employee benefits and pension is \$3.6 million and accounts for 3.82 percent. Other operating expenses is \$2.6 million and accounts for 2.7 percent of budget. Conservation expenses are almost \$1 million and is 1 percent of the budget. Overtime is \$1 million and is 1 percent. Tree trimming is almost \$900,000 and is 1 percent. All other expenses are less than half a percent of the budget. Total CY19 operating expenses is \$93.6 million, as compared to FY19 which is \$96.4 million. The \$3 million difference is due to power supply.

Chair Kelley asked about whether the bad debt is getting better. Ms. Markiewicz stated that she is budgeting closer to actual rather than a place holder. RMLD is 97 percent current on receivables. Ms. Parenteau added for a utility with \$92 million worth of revenue, to have under \$100,000 of bad debt is exceptional.

Ms. Markiewicz stated that the rate of return will come down from 8 percent as the need for capital projects decreases. Ms. Markiewicz discussed the budgeted net income and the budgeted rate of return, as well as the projected budgeted kWh sold to the rate of return. Ms. Markiewicz reviewed where funds come from for capital projects. The financials for FY18 haven't been presented because the auditors are waiting for actuarial reports to come through. There shouldn't be any changes in the final numbers. Operating revenues came in slightly over budget, with a total operating income of about \$800,000 more than what was budgeted. Net income was budgeted for \$4.1 million but came in at \$5.2 million actual due to changes in the GASB law, which caused a \$700,000 increase. Net income would have been about \$4.5 million. FY19 six-months operating expenses should come in at half of what was budgeted.

Ms. O'Brien stated that there would be no rate increases at this time.

Mr. Small made a motion that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2019 Operating Budget in the amount of \$3,529,582 as presented on October 9, 2019. Any significant changes are to be submitted to the Citizens' Advisory Board for review and recommendation, seconded by Mr. Hooper. Hearing no further discussion, **motion carried 4:0:1** (4 in favor, 0 opposed, 1 absent).

3. Next Meeting – D. Kelley, Chair

November 7th and 14th were noted as possible dates for a November meeting. Staff will follow-up to confirm a date.

4. Adjournment – D. Kelley, Chair

Mr. Hooper made a motion to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Soni. **Motion carried 4:0:1** (4 in favor, 0 opposed, 1 absent).

The Citizens' Advisory Board adjourned at 7:50 PM.

As approved on December 19, 2018.



READING MUNICIPAL LIGHT DEPARTMENT

**CALENDAR YEAR 2019
CAPITAL BUDGET**

CITIZENS' ADVISORY BOARD PRESENTATION

OCTOBER 9, 2018



REVIEW OF PROJECTS COMPLETED OR SCHEDULED TO BE
COMPLETED IN FY19 (by December 31, 2018)

	FY19* ESTIMATE	TOTAL COST ESTIMATE*	PROJECT SCHEDULE
✓ Woburn Street Pole Line Upgrade, W	\$343k	\$426k	FY18-19
✓ 115kV Transmission Pole Upgrade (211-504 Line), R	\$223k	\$223k	FY19



BOOTH RECOMMENDATION

*6-Month (Jul-Dec 2018)

PROJECTS CONTINUING IN CY19

	FY19* ESTIMATE	CY19 ESTIMATE	PROJECT SCHEDULE
➤ Pad-mount Switchgear Upgrade (Industrial Parks)	\$262k	\$436k	6-YEAR PLAN
➤ Grid Modernization & Optimization	\$296k	\$584k	15-YEAR PLAN
➤ New Wilmington Substation	\$511k	\$69k	FY17-21
➤ Mass DOT Project: Main and Hopkins, R	-	\$225k	CY19
➤ 4W5/4W12 Getaway Improvements (change in scope)	\$142k	\$117k	FY19-CY19
➤ 4W6 Getaway Replacement – Station 4	-	\$157K	CY19
➤ 4W16 Getaway Replacement – Station 4	-	\$206K	CY19
➤ Miscellaneous	-	\$510k	CY19
LED Lighting at 230 Ash Street, Parking Lot Upgrade at 230 Ash Street, EVSE, Battery Storage Unit – Station 3			

NOTE: The 35kV UG Cabling at Station 4 and 5, and the Ballardvale Street Pole Line Upgrade projects previously budgeted in FY19 have been cancelled/postponed pending re-evaluation based on anticipated location of the new Wilmington substation.

➔ **BOOTH RECOMMENDATION**

*6-Month (Jul-Dec 2018)



NEW PROJECTS FOR CY19

	ESTIMATE	SCHEDULE
❖ MA-125 Pole Line Installation for New Wilmington Substation	\$623k	3-Year Project (FY19-CY20)
❖ Underground Line Extension, Marion Street, W	\$102k	1-Year Project
❖ 5W5 Andover Access Road Upgrade, W	\$89k	1-Year Project
❖ 211-502 and 211-504 Fiber Line Extension at Station 4	\$534k	1-Year Project

 **BOOTH RECOMMENDATION**

ANNUALLY BUDGETED/RECURRING PROJECTS

		FY19 ESTIMATE*	CY19 ESTIMATE
▪ Miscellaneous Computer Hardware/Software Upgrades	\$223k	\$483k	
▪ Rolling Stock Replacement		-	\$325k
▪ Building, Office and Security Upgrades		\$62k	\$275k
▪ AMI Mesh Network Expansion & Meter Replacement		\$52k	\$300k
▪ Communications Equipment (Fiber Optic)		\$25k	\$49k
▪ Pole Replacement Program		\$132k	\$263k
▪ Secondary and Main Replacement Program		\$114k	\$344k
▪ 13.8kV Upgrades (Step-down Areas, etc.)		\$109k	\$331k
▪ Underground Facilities Upgrades		\$180k	\$332k
▪ Service Connections (Residential and Commercial)		\$71k	\$142k
▪ Routine Construction		\$539k	\$1,078k
▪ Miscellaneous Purchases (Meters and Metering Equipment, Transformers, Power/Lab and Tool Equipment, and Substation Equipment)		\$210k	\$847k



BOOTH RECOMMENDATION

***6-Month (Jul-Dec 2018)**

SUMMARY

FY18 Actual

Budgeted	Actual Spending	Variance
\$7,686	\$6,514k	(\$1,172k)

FY19 Six-Month Estimate

Budgeted (12-month)	Estimated Spending	Variance
\$7,570k	\$3,500k	(\$4,070k)

CY19 PLANNED CAPITAL SPENDING
\$7,804k

**CY 19 OPERATING BUDGET
PRESENTATION
OCTOBER 9, 2018**

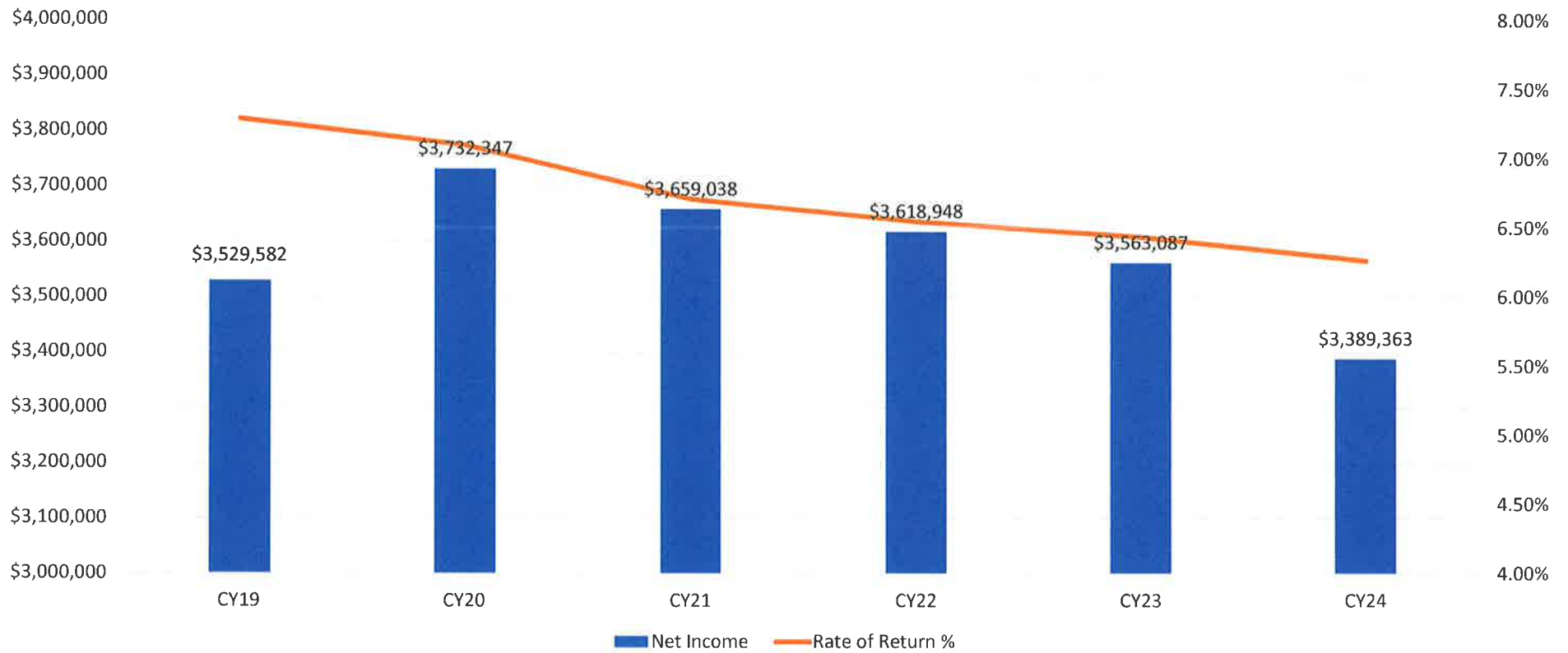
CY19 OPERATING BUDGET HIGHLIGHTS

- **FIXED COSTS REPRESENT 80.7% OF THE OVERALL OPERATING BUDGET, OF WHICH 71.44% IS POWER SUPPLY**
 - **Fixed costs decreased by 4.26% from FY19 to CY19**
- **SEMI VARIABLE COSTS REPRESENT 19.3% OF THE OVERALL OPERATING BUDGET**
 - **The increase in semi variable costs from FY19 to CY19 is 2.67%**
- **THE OVERALL OPERATING BUDGET IS PROJECTED TO DECREASE BY 2.94% FROM FY19 TO CY19**

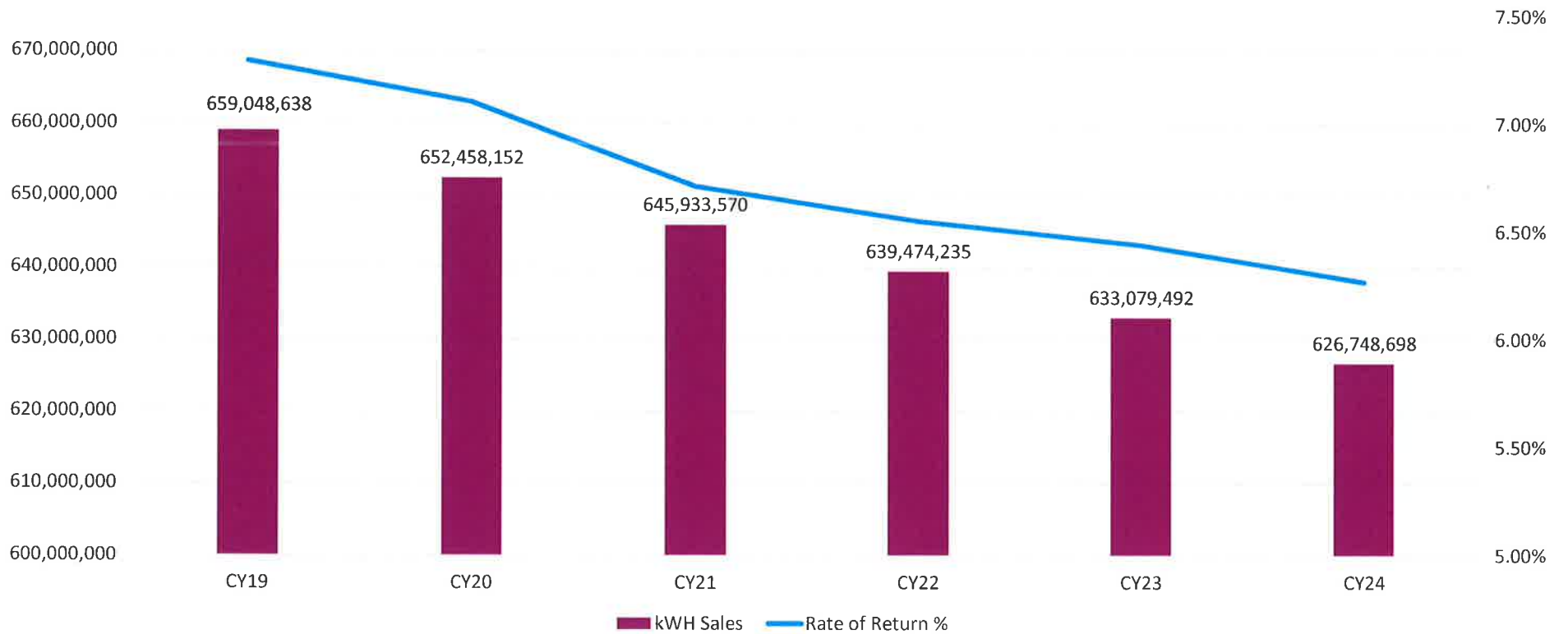
**READING MUNICIPAL LIGHT DEPARTMENT
CALENDAR YEAR 2019 OPERATING BUDGET
ACTUAL AND PROJECTED FIXED AND SEMI-VARIABLE COSTS**

	FY18		FY18		FY19		FY19		Jul 2018-Dec 2018		CY19		
													% of Projected
FIXED COSTS:		BUDGET		ACTUAL		BUDGET		ESTIMATE		BUDGET			\$ 93,638,077
Purchased Power - Fuel	\$	31,291,810	\$	30,159,246	\$	32,190,196	\$	15,778,791	\$	29,126,893			31.11%
Purchased Power - Capacity		24,476,161		25,608,460		22,884,320		12,341,182		22,789,837			24.34%
Purchased Power - Transmission		13,612,817		13,738,479		14,992,983		7,146,688		14,969,866			15.99%
Depreciation Expense		4,362,000		4,305,989		4,516,000		2,232,000		4,524,000			4.83%
Misc Deduction - ROI Reading		2,420,438		2,419,770		2,480,506		1,240,253		2,480,506			2.65%
Town Payments		1,500,000		1,497,473		1,569,789		784,895		1,570,860			1.68%
Misc Deduction - Disposal Losses		150,000		63,845		150,000		75,000		100,000			0.11%
SUB-TOTAL		77,813,226		77,793,262		78,783,794		39,598,809		75,561,962			80.70%
SEMI VARIABLE COSTS:													
Labor		6,376,181		6,011,464		6,423,097		3,211,548		6,662,843			7.12%
Employee Benefits/Pension		3,000,437		2,980,459		3,772,990		1,886,495		3,581,615			3.82%
Other Operating and Maint Expenses		2,278,597		2,505,852		2,340,516		1,170,258		2,587,755			2.76%
Conservation Expenses		952,565		673,442		975,712		487,856		984,118			1.05%
Overtime		763,517		894,055		971,731		485,865		990,309			1.06%
Tree Trimming		886,340		627,962		898,865		449,433		899,534			0.96%
Contract Services		-		271,684		344,008		172,004		385,700			0.41%
Legal Expense		471,900		547,570		467,900		233,950		532,900			0.57%
Property Insurance		427,200		338,718		426,200		213,100		426,200			0.46%
Office Supplies		25,000		9,998		20,000		10,000		20,000			0.02%
Transformer (hazardous material)		300,000		126,343		300,000		150,000		300,000			0.32%
Training/Tuition		289,691		123,942		243,893		121,947		243,893			0.26%
Vehicle		391,116		298,595		311,200		155,600		311,200			0.33%
Vehicle Capital Clearing		(301,596)		(337,368)		(284,440)		(142,220)		(253,362)			-0.27%
Rent Expense		212,000		198,639		212,000		106,000		212,000			0.23%
Bad Debt Expense		150,000		89,142		105,000		52,500		105,000			0.11%
Injuries & Damages		52,613		68,221		47,449		23,725		56,411			0.06%
RMLB/CAB		30,000		14,270		30,000		15,000		30,000			0.03%
SUB-TOTAL		16,305,561		15,442,990		17,606,121		8,803,060		18,076,115			19.30%
TOTALS													
	\$	94,118,787	\$	93,236,252	\$	96,389,915	\$	48,401,869	\$	93,638,077			100%

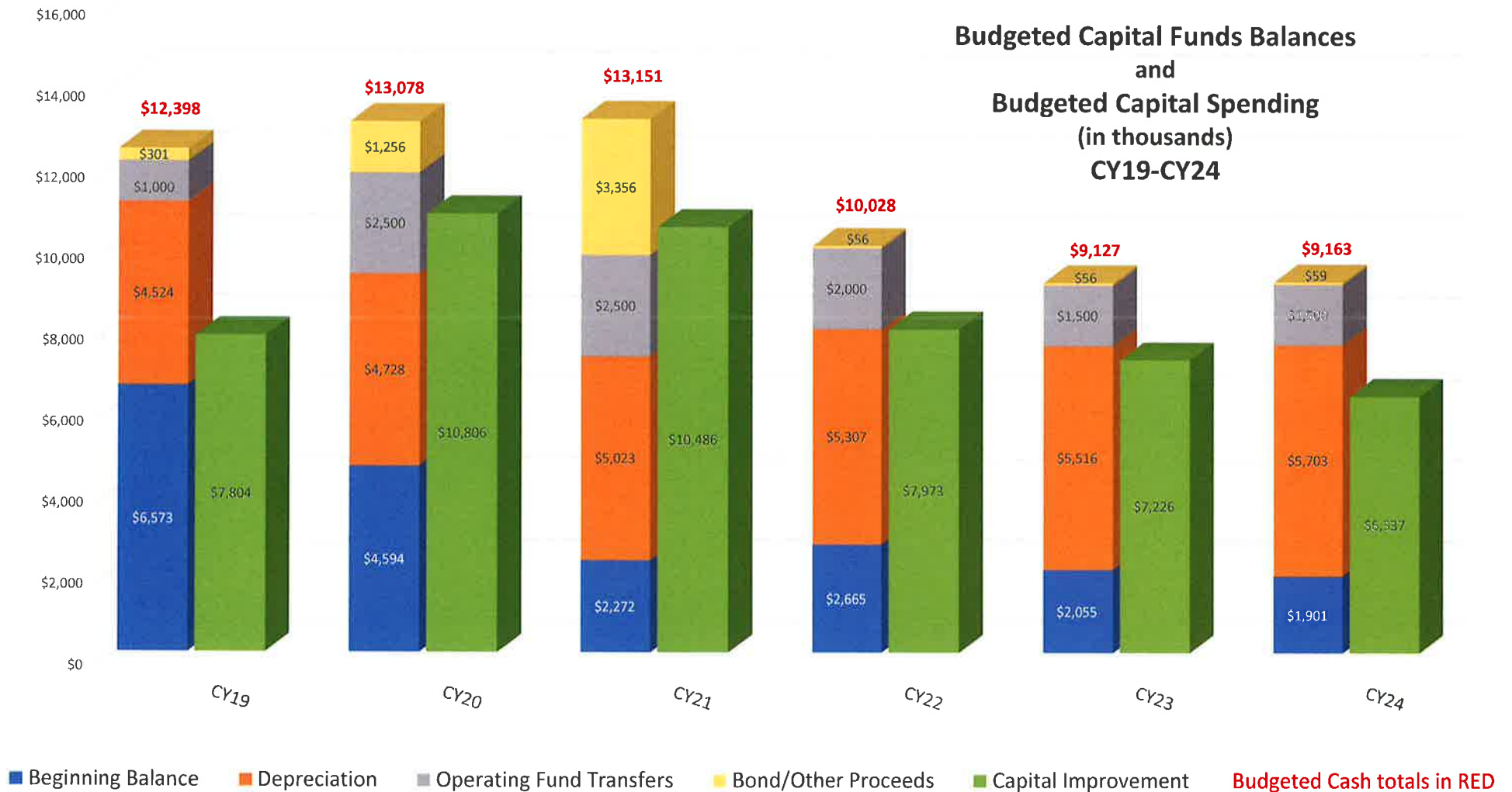
Budgeted Net Income Compared to Budgeted Rate of Return CY19-CY24



Budgeted kWh Sold Compared to Budgeted Rate of Return CY19 – CY24



Budgeted Capital Funds Balances and Budgeted Capital Spending (in thousands) CY19-CY24



Town of Reading, Massachusetts
Municipal Light Department
Statement of Budgeted Revenues and Expenses

	FY18 Budget	FY18 Actual	FY19 Budget	FY19 Jul 2018-Dec 2018 Estimate	CY19 Budget
Operating Revenues					
Base Revenue	\$ 26,337,621	\$ 25,799,146	\$ 27,786,190	\$ 14,071,585	\$ 27,761,148
Fuel Revenue	32,491,810	31,504,638	33,390,196	16,187,346	30,326,893
Purchased Power Capacity/Transmission	38,088,978	39,616,208	37,877,303	18,938,652	37,756,892
Forfeited Discounts	800,000	829,259	833,588	422,148	832,834
Energy Conservation Revenue	675,000	648,258	655,924	327,962	662,081
NYPA	(1,200,000)	(1,190,766)	(1,200,000)	(464,967)	(1,200,000)
Total Operating Revenues	97,193,409	97,206,743	99,343,198	49,482,725	96,139,849
Expenses					
Power Expenses:					
547 Purchased Power - Fuel	31,291,810	30,159,246	32,190,196	15,778,791	29,126,893
555 Purchased Power - Capacity	24,476,161	25,608,460	22,884,320	12,341,182	22,789,837
565 Purchased Power - Transmission	13,612,817	13,738,479	14,992,983	7,146,688	14,967,055
Total Purchased Power	69,380,788	69,506,184	70,067,499	35,266,661	66,883,785
Operating and Maintenance Expenses:					
580 Supervision and Engineering	900,777	593,195	1,075,757	537,878	1,083,959
581 Station/Control Room Operators	568,578	689,410	502,112	251,056	481,952
582 Station Tech	392,932	152,360	504,300	252,150	522,365
583 Line General Labor	-	-	24,818	12,409	30,309
585 Street Lighting	111,446	145,677	136,040	68,020	50,722
586 Meter General	209,412	224,441	212,933	106,467	217,383
588 Materials Management	379,312	537,523	440,005	220,003	442,061
590 Maintenance of Structures and Equipment	18,500	987,517	-	-	-
593 Maintenance of Lines - Overhead	1,059,276	1,271,070	783,322	391,661	890,537
593 Maintenance of Lines - Tree Trimming	886,340	627,962	898,865	449,433	899,534
594 Maintenance of Lines - Underground	197,002	82,790	484,399	242,199	527,427
595 Maintenance of Line Transformers	300,000	146,926	300,000	150,000	406,496
596 Maintenance of Street Light and Signal System	45,447	13,936	-	-	-
598 Line General Leave Time Labor	500,007	-	236,844	118,422	283,299
Total Operating and Maintenance Expenses	5,569,029	5,452,807	5,599,394	2,799,697	5,836,044
General & Administrative Expenses:					
902 Meter Reading	37,464	32,189	31,741	15,871	34,100
903 Customer Collection	921,024	1,642,889	1,114,877	557,439	1,154,199
904 Uncollectible Accounts	150,000	89,142	105,000	52,500	105,000
916 Integrated Resources	509,232	500,993	495,754	247,877	504,550
916 Energy Conservation	952,565	673,442	975,712	487,856	984,118
920 Administrative and General Salaries	1,983,217	1,075,192	1,988,492	994,246	2,050,263
921 Office Supplies	25,000	9,998	20,000	10,000	20,000
923 Outside Services-Legal	471,900	547,570	467,900	233,950	532,900
923 Outside Services-Contract	-	271,684	344,008	172,004	385,700
923 Outside Services-Education	289,691	123,942	243,893	121,947	243,893
924 Property Insurance	427,200	338,718	426,200	213,100	426,200
925 Injuries and Damages	52,613	68,221	47,449	23,725	56,411
926 Employee Pensions and Benefits	3,000,437	2,980,459	3,772,990	1,886,495	3,581,615
930 Miscellaneous General Expense	456,094	457,414	485,659	242,829	493,477
931 Rent Expense	212,000	198,639	212,000	106,000	212,000
933 Vehicle Expense	391,116	298,595	311,200	155,600	311,200
933 Vehicle Expense - Capital Clearing	(301,596)	(337,368)	(284,440)	(142,220)	(253,362)
935 Maintenance of General Plant	281,880	381,916	335,148	167,574	385,000
935 Maintenance of Building & Garage	874,195	626,254	897,195	448,597	996,808
Total General & Administrative Expenses	10,734,032	9,979,889	11,990,777	5,995,389	12,224,072
Other Operating Expenses:					
403 Depreciation	4,362,000	4,305,989	4,516,000	2,232,000	4,524,000
408 Voluntary Payments to Towns	1,500,000	1,497,473	1,569,789	784,895	1,570,860
Total Other Expenses	5,862,000	5,803,462	6,085,789	3,016,895	6,094,860
Operating Income	5,647,560	6,464,400	5,599,738	2,404,084	5,101,088
Non Operating Revenues (Expenses):					
419 Interest Income	150,000	182,477	250,000	125,000	175,000
419 Other Income	890,000	1,077,282	850,000	425,000	850,000
426 Voluntary PILOT Payment to Reading	(2,420,438)	(2,419,770)	(2,480,506)	(1,240,253)	(2,480,506)
426 Loss on Disposal	(150,000)	(63,845)	(150,000)	(75,000)	(100,000)
431 Interest Expense	(2,500)	(10,293)	(16,000)	(8,000)	(16,000)
Total Non Operating Revenues (Expenses)	(1,532,938)	(1,234,149)	(1,546,506)	(773,253)	(1,571,506)
Net Income	\$ 4,114,622	\$ 5,230,251	\$ 4,053,232	\$ 1,630,831	\$ 3,529,582

	CY19 BUDGET	FY19 BUDGET	Change in Budget %
Operating Revenues			
Base Revenue	\$ 27,761,148	\$ 27,786,190	(0.1%)
Fuel Revenue	30,326,893	33,390,196	(9.2%)
Purchased Power Capacity/Transmission	37,756,892	37,877,303	(0.3%)
Forfeited Discounts	832,834	833,586	(0.1%)
Energy Conservation Revenue	662,081	655,924	0.9%
NYPA	(1,200,000)	(1,200,000)	0.0%
Total Operating Revenues	<u>96,139,849</u>	<u>99,343,198</u>	<u>(3.2%)</u>
Expenses			
Power Expenses:			
547 Purchased Power - Fuel	29,126,893	32,190,196	(9.5%)
555 Purchased Power - Capacity	22,789,837	22,884,320	(0.4%)
565 Purchased Power - Transmission	<u>14,967,055</u>	<u>14,992,983</u>	<u>(0.2%)</u>
Total Purchased Power	66,883,785	70,067,499	(4.5%)
Operating and Maintenance Expenses:			
580 Supervision and Engineering	1,083,959	1,075,757	0.8%
581 Station/Control Room Operators	481,952	502,112	(4.0%)
582 Station Tech	522,365	504,300	3.6%
583 Line General Labor	30,309	24,818	22.1%
585 Street Lighting	50,722	43,868	15.4%
586 Meter General	217,383	212,933	2.1%
588 Materials Management	442,061	440,005	0.5%
593 Maintenance of Lines - Overhead	890,537	783,322	13.7%
593 Maintenance of Lines - Tree Trimming	899,534	898,865	0.1%
594 Maintenance of Lines - Underground	527,427	484,399	8.9%
595 Maintenance of Line Transformers	406,496	300,000	35.5%
596 Maintenance of Street Light and Signal Systems	-	92,072	(100.0%)
598 Line General Leave Time Labor	<u>283,299</u>	<u>236,844</u>	<u>19.6%</u>
Total Operating and Maintenance Expenses	5,836,044	5,599,394	4.2%
General & Administrative Expenses:			
902 Meter Reading	34,100	31,741	7.4%
903 Customer Collection	1,154,199	1,114,877	3.5%
904 Uncollectible Accounts	105,000	105,000	0.0%
916 Integrated Resources	504,550	495,754	1.8%
916 Energy Conservation	984,118	975,712	0.9%
920 Administrative and General Salaries	2,050,263	1,988,492	3.1%
921 Office Supplies	20,000	20,000	0.0%
923 Outside Services-Legal	532,900	487,900	13.9%
923 Outside Services-Contract	385,700	344,008	12.1%
923 Outside Services-Education	243,893	243,893	0.0%
924 Property Insurance	426,200	426,200	0.0%
925 Injuries and Damages	56,411	47,449	18.9%
926 Employee Pensions and Benefits	3,581,615	3,772,990	(5.1%)
930 Miscellaneous General Expense	493,477	485,659	1.6%
931 Rent Expense	212,000	212,000	0.0%
933 Vehicle Expense	311,200	311,200	0.0%
933 Vehicle Expense - Capital Clearing	(253,362)	(284,440)	(10.9%)
935 Maintenance of General Plant	385,000	335,148	14.9%
935 Maintenance of Building & Garage	<u>996,808</u>	<u>897,195</u>	<u>11.1%</u>
Total General & Administrative Expenses	12,224,072	11,990,777	1.9%
Other Operating Expenses:			
403 Depreciation	4,524,000	4,516,000	0.2%
408 Voluntary Payments to Towns	<u>1,570,860</u>	<u>1,569,789</u>	<u>0.1%</u>
Total Other Expenses	6,094,860	6,085,789	0.1%
Operating Income	<u>5,101,088</u>	<u>5,599,739</u>	<u>(8.9%)</u>
Non Operating Revenues (Expenses):			
419 Interest Income	175,000	250,000	(30.0%)
419 Other Income	850,000	850,000	0.0%
426 Voluntary PILOT Payment to Reading	(2,480,506)	(2,480,506)	0.0%
426 Loss on Disposal	(100,000)	(150,000)	(33.3%)
431 Interest Expense	<u>(16,000)</u>	<u>(16,000)</u>	<u>0.0%</u>
Total Non Operating Revenues (Expenses)	(1,571,506)	(1,546,506)	1.6%
Net Income	<u>\$ 3,529,582</u>	<u>\$ 4,053,232</u>	<u>(12.9%)</u>