



## Town of Reading Meeting Minutes

### Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2017-11-15

Time: 6:30 PM

Building: Reading Municipal Light Building

Location: Winfred Spurr Audio Visual Room

Address: 230 Ash Street

Session: Open Session

Purpose: General Business

Version: Final

### Attendees: **Members - Present:**

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

### **Members - Not Present:**

### **Others Present:**

Ms. Coleen O'Brien, Ms. Wendy Markewicz, Ms. Kathleen Rybak

**Minutes Respectfully Submitted By:** Mr. Dennis Kelley, Secretary

### **Topics of Discussion:**

1. Call Meeting to Order – G. Hooper, Chair  
Chair Hooper called the meeting of the Citizens' Advisory Board to order at 6:30 PM and noted that the meeting was being audio recorded.
2. General Manager's Update – C. O'Brien, General Manager  
Ms. O'Brien updated the CAB on RMLD's response to the recent storm. Staff will be having a post-storm meeting with representatives from the Town of Reading to review communications. The Technology Roadmap includes an outage management system (OMS), which will enable RMLD to more easily communicate outage information. RMLD is currently updating the mesh network to support the smart meters and an OMS.
3. Presentation of FY17 Audited Financial Statements – W. Markewicz, Director of Business Finance

Materials: Draft Town of Reading, Massachusetts, Reading Municipal Light Department, Annual Financial Statements, for the Year ended June 30, 2017

Handout: Statement of Revenues, Expenses and Changes in Fund Net Assets (for period ending 9/30/17)

Ms. Markewicz, Director of Business Finance, reported that Melanson Heath presented the FY17 Audited Financial Statements at both the Audit Committee and the Board of Commissioners meetings on November 9<sup>th</sup>. The audit presentation was delayed pending the actuarial report (done with the Town of Reading) that specifically talks to OPEB (other post-employment benefits) and the new GASB 74 requirements. The final actuarial report was received November 2<sup>nd</sup>. Melanson Heath gave RMLD an unqualified opinion, which says that the financial statements are presented fairly in all material respects.

There were changes to GASB 68 (related to the Pension Trust), which impacts how unfunded pension liability is reported. In the past, RMLD was only required to report on the balance sheet the unfunded portion of the Pension Trust liability. However, GASB changed to require the entire pension liability, as well as the asset, be shown on the books. Therefore, the auditors needed to go back and restate the numbers for FY16. This means the final net position for FY16 (as stated in the Audited Statements for FY16) does not match what is reported in the FY17 Audited Statements. Notes on page 37 explain this change. Internally, this required some adjustments to get the books in order.

Ms. Markiewicz reviewed the Statement of Net Position (page 7). Unrestricted Cash is up about \$2m, however, if you look at accounts payable, we are also up about \$2m. This reflects the timing of when bills are paid and the accruals. Receivables is consistent from FY16. Restricted Cash is where you will see a difference from last year's audit book (as noted above). This includes the \$5.7 of our pension cash in that number. Capital assets has gone up, which is a reflection of our capital projects. Net pension liability is \$13m; we have cash of \$5.7, therefore, the unfunded portion is \$7.4m.

Net OPEB obligation is a new category. The actuarial report tells us what we should put into OPEB in order to fund this obligation. The report told us that we were supposed to fund \$138k less than we needed, so this was underfunded by \$138k. Therefore, there is a new line item on the financials for "Net OPEB Obligation" of \$138K. Next year the entire OPEB obligation will be put on the books (per GASB 75). The OPEB liability is approximately \$10m, and we have cash of \$2.8m. You will see \$7.2m of OPEB liability next year. Net Position – Restricted for Pension Trust: this is new and reflects the cash portion (in a Pension Trust) that we have put on the books this year.

Ms. Markiewicz reviewed some of the highlights of remaining financial statements:

- Statements of Revenues, Expenses, and Changes in Net Position (page 8): Electric Sales were up 3.93%, but kilowatt hour sales were down about 0.09%. This is reflective of flat sales. However, due to the increase in rates, sales came in higher so we could recover our costs, which went up about 3.8%.
- Statement of Fiduciary Net Position (page 10): Shows the cash for the OPEB Trust Fund, which can be used toward the liability.
- Restricted Cash and Investments (page 18) – the Pension Trust is new on the books this year.
- Capital Assets (page 20) – reflects the major increases in infrastructure.
- Schedule of OPEB Funding Progress (page 40) – shows assets of \$2.8m, a liability of \$10m, and the unfunded liability of \$7.1m, which will be shown on the books next year. Page 41 goes into a little more detail of the same information, and page 42 speaks to the portion of deficiency.

Ms. Markiewicz then provided Draft FY18 Q1 Statement of Revenues, Expenses and Changes in Fund Net Asset, noting that we are on target for most items. Chair Hooper asked about Street Lighting (585 and 596) which shows 100% of budget remaining. Ms. Markiewicz noted that these are new FERC numbers being used this year and expenses may not be hitting properly, or the work may not have been completed at this point in the year. Ms. O'Brien noted that this budget was developed and formatted using FERC accounting numbers, which is new for FY18. Staff will look into these accounts, as well as Maintenance of Line Transformers (595), and follow-up.

4. Review of CAB Policies – G. Hooper, Chair

Chair Hooper opened discussion on review of CAB Policy 1 and 2, noting that the policies are written to be consistent with the 20-year Agreement. Mr. Small asked about the term for Vice Chair, as he was recently appointed Vice Chair. Chair Hooper clarified that officer terms are staggered, and that Mr. Small's term would run for two years from his date of appointment. It was noted that on Policy 1, under Section III C. there was no language relative to the term for the Secretary. The group agreed terms for all officers should be two years.

Mr. Cohen made a motion that CAB Policy No. 1, Section III, C., be amended to include the following: The Secretary will serve a two-year term and will be eligible for re-election as Secretary for two consecutive terms. Upon completion of such terms, one two-year term must pass prior to being eligible for re-election as Secretary, seconded by Mr. Small. Hearing no further discussion, motion **carried 5:0:0** (5 in favor, 0 opposed, 0 absent).

Ms. O'Brien stated that Policy 1 would be updated, and both policies scheduled for review on a three-year cycle.

5. Next Meeting – G. Hooper, Chair

Ms. O'Brien asked if there were any questions in follow-up to the recent Board of Commissioners meeting. Ms. O'Brien reported that (at a recent Board meeting) there was a customer inquiry regarding the tree trimming program, and a suggestion that some type of contribution be made to the Town for trees that are removed by the RMLD. This issue will be reviewed by staff and any recommendation will be made to the Board and instituted fairly across all four towns

The next meeting of the CAB will be December 13, 2017.

Mr. Kelley made a motion to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Small. Hearing no further discussion, **motion carried 5:0:0** (5 in favor, 0 opposed, 0 absent).

The Citizens' Advisory Board Meeting adjourned at 7:21 PM.

As approved on February 28, 2018.

## Municipal Light Department

## Business Type Proprietary Fund

## Statement of Revenues, Expenses and Changes in Fund Net Assets

9/30/2017

	Actual Year to Date	Budget Full Year	Remaining Budget	Remaining Budget %
<b>Operating Revenues</b>				
Base Revenue	\$7,319,135.19	\$26,337,621.00	\$19,018,485.81	72.2%
Fuel Revenue	8,147,517.46	32,491,810.00	24,344,292.54	74.9%
Purchased Power Capacity	10,555,785.25	38,088,978.00	27,533,192.75	72.3%
Forfeited Discounts	226,229.36	800,000.00	573,770.64	71.7%
Energy Conservation Revenue	184,533.10	675,000.00	490,466.90	72.7%
NYPA Credit	(214,885.13)	(1,200,000.00)	(985,114.87)	82.1%
Total Operating Revenues	26,218,315.23	97,193,409.00	70,975,093.77	73.0%
<b>Expenses</b>				
<b>Power Expenses:</b>				
547 Purchased Power Fuel Expense	7,242,952.02	31,291,810.00	24,048,857.98	76.9%
555 Purchased Power Capacity	6,314,859.25	24,476,161.00	18,161,301.75	74.2%
565 Purchased Power Transmission	4,311,499.76	13,612,817.00	9,301,317.24	68.3%
Total Purchased Power	17,869,311.03	69,380,788.00	51,511,476.97	74.2%
<b>Operations and Maintenance Expenses:</b>				
580 Supervision and Engineering	112,766.41	829,705.00	716,938.59	86.4%
581 Station Supervisor	36,571.87	130,662.00	94,090.13	72.0%
581 Line General	160,134.95	638,107.00	477,972.05	74.9%
582 Control Room	96,420.49	473,878.00	377,457.51	79.7%
585 Street Lighting	(240.10)	119,398.00	119,638.10	100.2%
586 Meter General	57,968.11	222,280.00	164,311.89	73.9%
588 Materials Management	116,141.31	450,828.00	334,686.69	74.2%
590 Maintenance of Structures and Equipment	91,772.54	495,731.00	403,958.46	81.5%
593 Maintenance of Lines - Overhead	307,232.49	2,036,277.00	1,729,044.51	84.9%
594 Maintenance of Lines - Underground	27,806.16	198,592.00	170,785.84	86.0%
595 Maintenance of Line Transformers	0.00	300,000.00	300,000.00	100.0%
596 Maintenance of Street Lights	(40.67)	46,242.00	46,282.67	100.1%
Total Operations and Maintenance Expenses	1,006,533.56	5,941,700.00	4,935,166.44	83.1%
<b>General &amp; Administration Expenses:</b>				
902 Meter Reading	9,020.24	39,847.00	30,826.76	77.4%
903 Customer Collection	407,065.52	1,986,508.00	1,579,442.48	79.5%
904 Uncollectible Accounts	37,500.00	150,000.00	112,500.00	75.0%
916 Energy Audit	105,164.70	537,898.00	432,733.30	80.4%
916 Energy Conservation	105,278.54	952,565.00	847,286.46	88.9%
920 Administrative and General Salaries	261,846.39	1,017,151.00	755,304.61	74.3%
921 Office Supplies and Expense	63,261.24	350,000.00	286,738.76	81.9%
923 Outside Services	110,955.41	471,900.00	360,944.59	76.5%
924 Property Insurance	84,446.97	427,200.00	342,753.03	80.2%
925 Injuries and Damages	13,185.19	52,613.00	39,427.81	74.9%
926 Employee Pensions and Benefits	671,575.23	3,000,437.00	2,328,861.77	77.6%
930 Miscellaneous General Expense	26,829.97	207,205.00	180,375.03	87.1%
931 Rent Expense	54,801.65	212,000.00	157,198.35	74.2%
935 Maintenance of General Plant	58,615.78	281,880.00	223,264.22	79.2%
935 Maintenance of Building & Garage	92,948.29	674,157.00	581,208.71	86.2%
Total General & Administration Expenses	2,102,495.12	10,361,361.00	8,258,865.88	79.7%
<b>Other Operating Expenses:</b>				
403 Depreciation	1,076,497.26	4,362,000.00	3,285,502.74	75.3%
408 Voluntary Payments to Towns	380,555.01	1,500,000.00	1,119,444.99	74.6%
Total Other Expenses	1,457,052.27	5,862,000.00	4,404,947.73	75.1%
<b>Operating Income</b>	<b>3,782,923.25</b>	<b>5,647,560.00</b>	<b>1,864,636.75</b>	
<b>Non Operating Revenues (Expenses):</b>				
419 Interest Income	38,721.52	150,000.00	111,278.48	74.2%
419 Other Income	257,406.28	890,000.00	632,593.72	71.1%
426 Return on Investment to Reading/Loss on Disposal	(604,942.50)	(2,570,438.00)	(1,965,495.50)	76.5%
431 Interest Expense	(1,306.29)	(2,500.00)	(1,193.71)	47.7%
Total Non Operating Revenues (Expenses)	(310,120.99)	(1,532,938.00)	(1,222,817.01)	79.8%
<b>Net Income</b>	<b>\$3,472,802.26</b>	<b>\$4,114,622.00</b>	<b>\$641,819.74</b>	