

REVISED MINUTES
TOWN OF BELMONT
MUNICIPAL LIGHT ADVISORY BOARD
BELMONT LIGHT CONFERENCE ROOM, 40 PRINCE STREET
Wednesday, April 23, 2014
7:15 P.M.

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I. CALL TO ORDER

BMLAB Vice Chair Robert Forrester called a regular meeting of the Municipal Light Advisory Board (BMLAB) to order at 7:20 PM.

Present:

BMLAB- Vice Chair Forrester, Members Jones, Klionsky, McClain

Belmont Light- General Manager Palmer, Finance Manager Klubnichkina, Clerk Kochem, Consultant Goulet, Consultant Seavey

Absent:

Chair Brown, Members DiOrio and McVay

II. APPROVAL OF MINUTES DATED 4/2/2014

McClain suggested minor amendments to the April 2, 2014 Draft Minutes:

- a. Units change: \$/MBtu to \$/MMBtu;
- b. Clarification that Belmont Light is 85% hedged for 2014;
- c. Clarification that the PPTA will be implemented in rates in April 2014.

Klionsky made a motion to approve the April 2, 2014 minutes as amended. Jones seconded the motion and it was unanimously approved.

III. FY13 FINANCIALS

Palmer reported that FY13 was a very good year. He introduced Goulet of Goulet, Salvidio & Associates, PC (GSA), who conducted Belmont Light's recent financial audit, to present the draft FY13 financial report. Goulet thanked Klubnichkina for her excellent assistance with the audit.

Goulet noted that the audit report was being presented in draft form as GSA was waiting for Belmont Light to make its 2013 PILOT payment to the Town of Belmont and for the bond for

the new substation to be set. As a major event that happened subsequent to the creation of the draft FY13 report, it is very important that the bond be included in the 2013 financials. The PILOT payment has been made and the bond rate has been set so the financials for FY13 can now be finalized.

There were a number of specific comments and questions posed related the draft of the FY13 Financial Report. These include:

Main Document:

- McClain confirmed with Goulet that Belmont Light is currently collecting enough in its rates to cover the cost of the substation bond.
- Page 6 - Klionsky asked about the statement that the rates increased in June 2013 by 6% but that the statement indicates that the Town Meeting approved a rate increase up to 14%. It was explained that at the time, Belmont Light understood the rate impact of the substation project could be as much as 14%, but subsequently Belmont Light has been able to limit the increase from the project to 6%.
- Goulet noted that there is unspent money in the bond fund for the project. Accounts receivable are back on track. McClain spoke about the amount of the PPTA and encouraged Palmer and Klubnichkina to consider utilizing the rate stabilization fund in the tariff to offset the increase in the PPTA. It was agreed that this will be addressed at the May meeting.
- Goulet noted that the rate stabilization fund levels are quite low, compared to the industry. There is not a lot of cushion available for emergencies. Palmer said that the rate stabilization fund balance should be about \$5 million and the depreciation fund balance should also be about \$5 million. As this is more than what is currently available, Belmont Light needs to work to build these funds up. This topic will be discussed at a Board meeting in May.
- Page 9 - Goulet stated that our current \$14 Million substation debt is held currently as short term debt but will be converted to long term debt in FY14.
- On page 9, Forrester noted that the unrestricted net position had decreased. Had Belmont Light not put the debt service in the rate and had spent the whole depreciation provision on capital assets, there would have been a loss after paying the PILOT.

Footnotes:

- Page 15 – The implementation of the new GASB Statement 63 changes the categorization of Belmont Light’s net position.
- Page 18 – Construction Work in Progress –Goulet reviewed a lot of the detail in the construction billing. It was noted that Belmont Lights contribution to the Trapelo Road project improvements of almost \$40,000 will be reimbursed by the state.
- Page 19 – Note 13 - McClain asked about the amount of the under-collection for 2013 – Goulet stated that BMLD chose not to collect it since it was a small amount. Goulet said that if BLMD over-collects, then Belmont Light must refund over-collections back to rate payers. Palmer said that there was an under-collection of about \$140K for FY2013 that they will not go after. There was a big increase in the costs of electricity for the first

quarter of 2014 and this caused significant under-collections in the first quarter of FY 2014, which Belmont Light is addressing through the implementation of the PPTA in April 2014.

- Page 20 – Goulet stated that the highlighting will be removed on Note 18.
- Page 23 – OPEB valuations – changed dramatically in 2013; OPEB liability is substantial. Forrester asked about the cost of OPEB and if it is included in BMLD rate costs. Goulet said that it was, and some other municipal light departments have separately funded their OPEB required costs.
- Forrester asked if Belmont Light has a better handle on Pension obligations – this cost has to be factored into the rate. Goulet reported that the OPEB obligation payments are revised every two years and Belmont Light cannot control or anticipate the changes well in advance of the calculation. FY 2013 OPEB contributions were \$500,000 greater than in FY 2012.
- Note 21 –Belmont Light’s \$14 Million substation bond, a subsequent event, will be converted to long term debt on April 25, 2014. The bond is currently held at a 4% interest rate.
- Page 27 –McClain asked about the increased cost of outside services in FY2013, which were the second largest increase in expenses from FY 2013, next to the increase in OPEB of \$500,000. Palmer said he expects a decrease in these costs for FY2014.
- Goulet issued a very short management letter stating that GSA discovered a short-term billing error for three commercial accounts in the Cogsdale billing system. Klubnichkina said that these accounts were credited for the over-collections and that manual controls are being used for these accounts to ensure that this problem does not occur again in the future.

Following Goulet’s presentation, it was explained that although Goulet and his staff assisted in drafting Belmont Light’s FY13 financial statements, Klubnichkina will be able to handle the preparation of future financial statements without outside assistance.

Goulet also prepared a memo suggesting that Belmont Light set up a sub-account of the Depreciation Fund to hold that portion of the bond payment collections that would be included in the Customer Distribution charge. Belmont Light could then request a depreciation charge above the 3% to accommodate the Debt Service Substation charge. This will allow the Department to track the funds collected and remitted for debt service over the life of the Bond.

IV. MISCELLANEOUS

Palmer proposed that, going forward, he would like for BMLAB meetings to take place on the third Tuesday of each month. Klubnichkina then said that the financials for the first quarter of FY2014 will be presented at the June BMLAB meeting.

Palmer and Klubnichkina left the meeting at 8:25 PM.

Klionsky asked when he can propose minor changes to Palmer's contract, which was recently revised by Legal Counsel Walter Foskett. It was agreed that this will be discussed under Executive Session at the next BMLAB meeting.

V. EXECUTIVE SESSION

At 8:25 PM, Robert Forrester moved that the committee go into Executive Session to:

- a. Discuss trade secrets or confidential, competitively-sensitive or other propriety information provided in the course of activities conducted by a governmental body as an energy supplier under a license granted by the department of public utilities pursuant to section 1F of chapter 164.
- b. Conduct contract negotiations with nonunion personnel.

Present: BMLAB Vice Chair Forrester, BMLAB Members Jones, Klionsky, and McClain.

Absent: BMLAB Chair Brown, Members DiOrio and McVay.

VI. ADJOURNMENT

The Board re-entered open session at 9:00 PM to adjourn.

Respectfully submitted by:

Gretchen McClain, Advisory Board Secretary