

Electric Light Department

Town of South Hadley

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MINUTES OF THE MUNICIPAL LIGHT BOARD MEETING OF THURSDAY, APRIL 30, 2015, AT 4:30 P.M.

PRESENT:

Anne S. Awad, Chair
Kurt C. Schenker, Clerk

ABSENT:

Christine M. Archambault, Vice Chair

Also Attending:

Wayne D. Doerpholz
Michael Conchieri

Called to Order

Chair Anne S. Awad called the meeting to order at 6:00 p.m. At that time, Chair Awad stated that Commissioner Archambault was absent this evening and then welcomed those guests present. She went on to explain that each meeting would begin with a 15 minute period of time for comments from guests.

Public comments

Marilyn Gass expressed concern that copies of the agenda were not provided.

John Howard asked questions regarding the fiber optics.

Geri Brockway expressed her appreciation for the meetings being televised and held at a later hour.

Minutes of the Meetings of February 10, 2015 and March 17, 2015

There was a discussion concerning the minutes of the meetings of February 10, 2015 and March 17, 2015 inasmuch as the two commissioners present at this meeting were not present at those two meetings and were not, in fact, commissioners at those times. On motion made by Chair

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Awad, seconded by Commissioner Schenker, it was unanimously passed to table the two sets of minutes until a legal opinion could be obtained.

Management Report

Chair Awad called on Mr. Doerpholz to present the Management Report. Mr. Doerpholz then proceeded to provide the following brief overview of the report and contents to the Board. He stated that the management report is prepared every month except December because of year-end close outs. Mr. Doerpholz mentioned that the report begins with a discussion of the overall financial results (Page 1) and that the financial statements include a Statement of Net Position (Balance Sheet) at month end (Page 2), a YTD Statement of Revenues and Expenses (Income Statement) and Statement of cash flows (Pages 3 & 4) a Monthly Statement of Revenues and Expenses (Income Statement) and Statement of Cash Flows (Pages 7 & 8). And also included are selected analysis – a) Percentage Statements of Revenues and Expenses both a YTD and Monthly basis (Pages 6 & 10), b) Schedules of Revenues, Cost of Power, and Kilowatt Hours on both a YTD and Monthly basis and (Pages 5 & 9), c) Point in time and time series graphs of key financial operating metrics (Pages 11 thru 18).

Mr. Doerpholz then provided additional information on labor costs:

Back in the early 90s, the Department's labor force hovered around 24-25 people. Over the ensuing years, largely through attrition, the workforce dwindled down to an all-time low of 13 people in 2012. In addition to the actual attrition, a significant portion of the remaining workforce was approaching retirement age. Anticipating both, management, in 2010, started to develop a long-term "succession plan" to ensure the Department had sufficient personnel with appropriate skill sets. That plan was reviewed with and endorsed by the then Municipal Light Board and has been slowly implemented with minor adjustments based on current and changing needs.

The current workforce is now at 20, up from 17 in 2014. The additions are 1) Financial Manager, 2) IT Manger, and 3) 1st Class Lineman.

General and Administrative represents the cost of employees classified as administrative and the internal labor costs for repairs and maintenance of general plant assets. The increase in the current year cost is, for the most part, due to the addition of personnel and increase in pay rates.

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Mr. Doerpholz also provided a schedule of and additional information regarding the Department cash and investment accounts stating that the schedules identified all cash and investment accounts of SHELD and where each of these appear in the financial statement (Monthly Management Report - Page 2), who the custodian of each account is and the nature and purpose of each account is also provided. As requested, each account for which MMWEC is the custodian is supported by the Custodian's statements covering the period 01/01/15 – 03/31/15.

Ms. Awad questioned whether or not it was required that all of the Department's funds be held by the Town Treasurer. Mr. Doerpholz stated that the funds held at MMWEC were either held in legally established trusts sanctioned and recognized under MGL or required by contract under purchased power agreements.

PILOT – Annual Transfer to the Town

Chair Awad asked Mr. Doerpholz to explain the documents provided to the Board so guests could follow along. Mr. Doerpholz explained that it is a voluntary payment and that it is historically based on a formula that reimburses the town for all pensions and benefits on behalf of SHELD employees and that it provides some compensation to the town for lost tax revenues resulting from SHELD's tax exempt status. He also stated that the PILOT represents a direct transfer of SHELD's accumulated earnings to the town and that it cannot be included in the electric rates as it is not an expense. Mr. Doerpholz told the Board they could stick to the formula or basically set a new watermark and work into that over the next five years. Chair Awad mentioned that she has been informed that there are ways to do a current assessment of the value of SHELD and it might be a good idea to know what the fair market value of SHELD assets were. A discussion then followed on having SHELD bound by an agreement where there is no legal requirement to do so. Commissioner Schenker stated that he would like to know what consulting costs would be before proceeding. Following an additional discussion on the best way to proceed, on motion made by Chair Awad, seconded by Commissioner Schenker, it was unanimously:

VOTED: to transfer the sum of \$488,686 for pension and benefit reimbursement and \$184,314 for payment in lieu of taxes for the fiscal year ending June 30, 2016.

Review of Existing Contracts and Agreements

Chair Awad explained that this was placed on the agenda for general discussion and for the Board to decide whether further discussion on these topics should be placed on the May or June agenda for further discussion. Chair Awad discussed several different subjects: employee contracts, architectural contracts, the fiber optics project, and an audit for the Department. She indicated she had talked to the Town Treasurer about possible options (for SHELD to be part of the town audit or to consider an independent audit). Ms. Awad stated she thought the Department's cost to be included in the Town's audit might be as little as \$8,000, whereas the cost of an independent audit might run as much as \$50,000. It was suggested that SHELD do an

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independent audit for one year and perhaps then be part of the town audit in the future. Commissioner Schenker stated that it is important to first find out what the real cost of an audit would be. Mr. Doerpholz explained that a Request for Qualifications would be the first step and that management had begun preparing an outline.

Correspondence

1. Letter from the South Hadley Memorial Day Parade Committee requesting a donation – following a discussion, it was agreed that the Department would not use ratepayer's money for a donation.
2. Letter from Mr. John Howard – Chair Awad stated that the letter had appeared in The Reminder and was read at the last meeting; Ms. Awad indicated that answers would come as SHELD goes forward and there is further discussion about the fiber optics.
3. Letter from the Attorney General's Office – Chair Awad stated that this was a general letter that they had received an open meeting law complaint and would investigate.

Carl G. Johanson Scholarship

Mr. Doerpholz explained that, although this is not an item that the Board would do as a Board, he had requested that it be placed on the agenda so an explanation could be given about the Scholarship and the trustees.

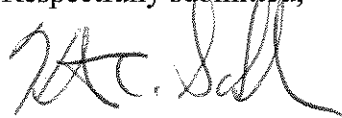
Next Meeting

Chair Awad stated that, since the Selectboard Room is available on Thursdays, she has set the meetings of the Municipal Light Board for the fourth Thursday of every month for the next six months: May 28th, June 25th, July 23rd, August 27th, September 24th and October 22nd. On motion made by Chair Awad, seconded by Commissioner Schenker, it was unanimously

VOTED: to adjourn.

The meeting was adjourned at 7:13 p.m.

Respectfully submitted,



Kurt C. Schenker, Clerk
Municipal Light Board

5/28/15