

Warrant Committee FY07 Meeting Minutes
January 10, 2007
7:30 p.m. CHENERY MIDDLE SCHOOL
COMMUNITY ROOM

Meeting was called to order at 7:34 by Chairman Jones.

Present: Town Administrator Younger, Town Accountant Hagg; Light Advisory Board members Ashley Brown (Chair), Robert Forrester (Vice-Chair), Robert Kenny, Gretchen McClain, and Patricia Diorio; and Tim Richardson (Acting BLMD Manager), Kristina Frizzell (BMLD CFO)

Absent: Members Christensen, Hobbs, Oates, Paolillo, Allison, and Hoffman

Municipal Light Advisory Board (MLAB) Presentation

MLAB Chair Ashley Brown provided WC with a comprehensive handout of the presentation. He began with Belmont Municipal Light Department (BMLD) and MLAB's history and recent activity:

MLAB was formed by statute in 2003 to look at retail choice. The Advisory Board met for a total of 41 hours in 2006 during which important questions arose: If the BLMD was operating independently, who was watching? Where was the accountability? Also – the market became extremely competitive, environmental issues crept up, and closer oversight was needed. The Advisory Board wanted an independent board structure and the BOS didn't have time.

After Tim McCarthy retired, a new manager was hired. Budget and safety issues were evaluated. Lineman recruitment has become very difficult due to low salaries, thus causing a major problem in trying to increase safety.

The MLAB explained that this takes a lot of time. Many functions are unnecessarily duplicated. Also the BOS have conflict in roles and the BOS can't do all their duties and be expected to learn the complexities of the electricity industry as well. It just doesn't make sense.

Therefore the MLAB proposes ***“That the Town begin the process of changing the status of the Board from a permanent advisory board to a permanent appointed governing board.”*** See page 6 of handout.

There are almost no legal ramifications because the board already has a quasi-independent status. Page 7 lays out the proposal's rationale and key considerations.

The goal is to create an open, effective process – without duplication. BMLD already has independence, we need the oversight – as this industry is changing fast! Many new issues now exist.

At this time the WC posed several questions.

Town Administrator Younger inquired about how Belmont's salaries compared with other municipalities. Acting Manager Richardson replied that they were average, or just over it. Member Heigham asked – what's the market that we're operating under? Chair Brown felt that there were good health and retirement benefits in general – since employees have town benefits. Manager's salary is lower than in industry. Member White asked about a separate credit rating for Belmont. Chair Brown responded that if town has financial difficulties we need to be a separate business and that the revenue stream has to be sufficient to cover contracts separate from town. Chairman Jones asked – why not have total independence, why not have private utility? Chair Brown felt that accountability issues arise, and trade offs have to be made.

BMLD CFO Kristina Frizzell answered the question regarding the credit rating. It is currently certified by Moody's at AA-, one of the highest municipal light department ratings in the state. The Town has a AAA rating. All current bond issues are General Obligation Bonds under the Town, not Revenue Bonds. The credit rating is for the purpose of entering contracts with energy suppliers.

MLAB Vice Chair Forrester summarized the MLAB proposal:

The BOS would appoint members for their terms and still advise, public meetings would be held, but the manager would set budget and allocate responsibilities. [Refer to Summary on page 17 of MLAB's handout.] This process is complex, it's a small business – one with pricing issues. The board is its own expert and BOS have a lot of Town responsibility. These entities need to be segregated so we should proceed with process to establish an independent board.

Chairman Jones opened the discussion to questions.

Member Widmer inquired about the advantages to being independent. Chair Brown responded that the process of reporting to the BOS takes an enormous amount of time – just negotiating the manager's salary has taken an enormous amount of time and there are the revenue stream questions. Widmer asked – Can policies be constructed without going to an independent appointment board? Brown was not sure. Member Doblin expressed that she was not persuaded that this is right time for change and said that the option of selling the light department hasn't been explored. Chair Brown said that Belmont doesn't want the higher rates, and that NSTAR tends to be far less sensitive to the needs of local communities. Doblin pressed about the need to change current status now – what's the added benefit? Brown spoke about accountability and the BOS time constraints.

Member Brusch asked about the data on page 16 of the handout. Brown replied that it has not changed legally, but that the manager would have more oversight. Furthermore, the power supply market has changed fundamentally – that’s why we should make the change now: we need people who are watching this all the time.

Widmer sees huge reasons not to sell off the BMLD – especially sensitivity to consumer issues, but he asked – is there really any reason, other than time, to make the change now? Brown replied that the manager’s salary issue was made more difficult because the BOS didn’t understand the labor market differences. It took an enormous amount of time. SC Chair Gibson stated that she was persuaded that having the Board that the Advisory Committee is recommending would be in the Town's best interest, that expertise and oversight is important, and that the credit rating issue is complex and important. Member Callanan asked – If independent, where would discussion take place? Brown replied that it’s subject to law and the Committee will continue to meet with BOS. Member Curtis said it was a problem for them to act like a private enterprise with Belmont’s public employees. BOS needs to oversee salaries for Belmont employees. If they are not overseen, it would be seen as a special deal. Brown replied that the flip side is having a hard time recruiting people, due to non-competitive salaries in this different market. Chair Jones commented that a lot of positions are hard to fill due to low salaries – IT, for example. Widmer expressed that he was not sympathetic to the arguments put forward thus far. Brown replied that this is a dynamic market place – must move quickly on opportunities, which can’t be done with cumbersome decision-making process. Member Tillotson asked about how this change would affect our ability to purchase? Richardson replied that, under the alternative of selling the light department, prices could triple or more, that NSTAR has no incentive to keep prices low, and that the overall role of the BMLD has changed.

Chair Jones said the WC will discuss and meet again with MLAB. He thanked them for the presentation. BOS member Solomon said it was one of the best meetings he’s heard, that the issues and what’s involved have been explained.

Other Business

Chair Jones recommended we postpone review of minutes.

Member Heigham moved to adjourn at 9:35.

Submitted by

Lisa Gibalerio
Recording Secretary