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**MINUTES
TOWN OF BELMONT
MUNICIPAL LIGHT BOARD
IN JOINT WITH LIGHT BOARD ADVISORY COMMITTEE
TOWN HALL
SELECTMEN'S MEETING ROOM
Monday, December 12, 2016
5:00 P.M.**

I. CALL TO ORDER

Chair Paolillo called a regular session of the Municipal Light Board (MLB) to order at 5:10 P.M.

Present:

MLB – Chair Mark Paolillo, Vice Chair Sami Baghdady, Member Jim Williams

Light Board Advisory Committee – Chair Steve Klionsky, Vice Chair Mark McVay, Members Roy Epstein, Travis Franck, Ralph Jones, Sarah Jackson

Belmont Light – General Manager Jim Palmer, Staff Aidan Leary, Maria Makar-Limanov, Counsel Walter Foskett, Counsel Shirin Everett

Board of Assessors – Chair Robert Reardon

Town Treasurer Floyd Carman

II. FINANCIALS

Makar-Limanov, Financial Manager for Belmont Light, reviewed a memo (see below) that she had sent to the Board requesting approval of regular transfers made from Belmont Light to the Town annually. The approvals were for the following:

- Rate Stabilization Fund - \$300,000
- Construction (Depreciation) Fund - \$400,000
- Town PILOT payment - \$650,000

Makar-Limanov gave the purposes of each of the transfers and answered the Board's questions about the calculations and processes involved.

Williams said that at the last meeting of the Permanent Audit Committee (PAC), it was discussed whether the rate base included pensions and OPEB liability and that the PAC thought that it did include those items. Williams said that there should be a transfer from Belmont Light to the pension fund and OPEB fund if it has collected money for that purpose. Paolillo said that it had

never been authorized by the Board but if it is in the rate base, the Board needs to understand that as well.

Williams asked when the rate base was last determined. Palmer responded that it was last determined in 2013 but that Belmont Light has already planned a cost-of-service study for 2017. From the audience, Klionsky stated that the correct term would be “in the rates”, rather than “in the rate base”. Paolillo asked Klionsky and other LBAC members to take a look at the issue in the future.

Paolillo asked Palmer to prepare a Sources & Uses document for the substation and transmission project and also said that he would like to investigate the Belmont Light’s PILOT payment to the Town to determine if it was set at an appropriate amount at a future meeting. Palmer agreed and said that the PILOT payment was set at a fixed amount for the duration of the substation and transmission project, but now that the project is concluding, it would be a good time to reexamine.

The Board discussed whether the Town Meeting warrant article that authorized the bond used for the substation and transmission project also authorized the bond to be used for projects other than the substation and transmission project. Paolillo asked that Town counsel and Belmont Light counsel attend a future meeting to confirm that issue.

a. Request for approval of transfers

i. Rate stabilization fund

Williams moved to approve the transfer of \$300,000 from the Operating Fund to the Rate Stabilization Fund. Baghdady seconded the motion and the motion was approved with a vote of all in favor (3-0).

ii. Construction (Depreciation) fund

Williams moved to approve the transfer of \$400,000 from the Operating Fund to the Construction/Depreciation Fund. Baghdady seconded the motion and the motion was approved with a vote of all in favor (3-0).

iii. Annual PILOT payment

Williams moved to approve the transfer of \$650,000 to the Town of Belmont as a Payment in Lieu of Taxes. Baghdady seconded the motion and the motion was approved with a vote of all in favor (3-0).

III. GENERAL MANAGER COMPENSATION DISCUSSION

Paolillo said that he had discussed the issue of a completion bonus for Palmer with Ralph Jones and Bob Forrester of LBAC and out of those conversations it was apparent that Palmer desired to have Section 6 - Professional Development – of his employment contract revised in lieu of a cash bonus. He said that while the current section states that Palmer must pay for his MBA program and be reimbursed by the Town, the revised language would have the Town paying the school directly. In the event that Palmer did not attain a certain grade, the Town would reduce its

payment on the next cycle. Baghdady said that he would like to see the proposed language first. Paolillo agreed and said that he would be willing to consider this proposal after having reviewed all of the numbers with Belmont Light's Human Resources consultant, Patti McGovern (not present).

Williams said this was a way out of a difficult situation since the Board had not been able to find any comparable numbers for such a bonus. He said he was bothered that the compensation is not related to the work done and that Palmer would have been compensated the same way if he had not built the substation and transmission project. Paolillo said that he agreed and that he himself had been in favor of a cash bonus previously but that this was something that Palmer had suggested.

The Board continued to discuss the compensation issue and agreed that it would call another Light Board meeting before the end of the year to come to a final decision.

IV. LIGHT BOARD ADVISORY COMMITTEE PROJECTS DISCUSSION

Chair Klionsky called a regular session of the Light Board Advisory Committee to order at 5:43 P.M.

The LBAC members introduced themselves. Klionsky described a meeting that LBAC had held the previous week and said they had discussed issues on which they would be able to help the Light Board and Belmont Light. Klionsky said he had a list of ten items, which included:

- *Substation and Transmission Project* – Klionsky said Jackson is very familiar with the ISO-NE cost allocation process and would be happy to get involved in that issue.
- *Energy Procurement* – Klionsky said that residents are always interested in how Belmont Light procures its energy, whether it is renewable or a mix.
- *Energy Efficiency Programs* – Klionsky said that the best way to cut costs and protect the environment is not to use energy in the first place. He said Belmont Light does have energy efficiency programs and that LBAC can work to help initiate other programs.
- *Cost-of-Service Study* – Klionsky said there is a consensus that Belmont Light needs to do such a study and that there is talent on the committee that would allow them to do that.
- *Accounting* – Klionsky said that Forrester brings a great amount of talent to the area and had been assisting Belmont Light on an ad hoc basis.

LBAC recessed at 5:51 P.M. in order for the Municipal Light Board to discuss the substation and transmission project closing.

LBAC resumed at 6:35 P.M.

Klionsky continued his list of items on which LBAC could help:

- *Electric Vehicles* – Klionsky said that LBAC had previously met with Belmont Light and its consultant on the Electric Vehicle program but would like to continue looking at the data as it becomes available.

- *Comparison with other municipals* – Klionsky said that LBAC could look at how Belmont Light compares to other municipals in terms of reliability, safety, and perception in the community.
- *Search for General Manager* – Klionsky said that LBAC could help in a potential search for a new General Manager should it be needed
- *Energy Storage*
- *Providing a holistic vision of Belmont Light and the Town*

McVay stated that he would like LBAC to look at big data projects, especially with Belmont Light completing its smart meter project. Franck added that community solar is becoming a big thing and LBAC could be involved with rolling that out in Belmont.

Baghdady said the things that stuck out to him were energy procurement, energy efficiency, and electric vehicles. The Board continued to discuss potential projects for LBAC to cover.

V. SUBSTATION AND TRANSMISSION PROJECT UPDATE

Paolillo reviewed the closing process for the substation and transmission project, including the documents that had been approved and signed by the Board, pending the insertion of certain language providing by Baghdady and Reardon. The Board had approved with the stipulation of adding that language the Asset Purchase Agreement, the Bill of Sale, and two Easement Agreements. Paolillo said that Eversource is ready to wire the purchase price as soon as the Board agreed that the documents were satisfactory.

Foskett went over the changes that had been made to the documents. He said that Eversource had agreed to delete the sentence in Section 2 of the Asset Purchase Agreement that dealt with local taxes, which made that document silent on local taxes. Baghdady said that this could impact the Town by hundreds of thousands of dollars annually in property taxes. He said that his concern was that the Board may be agreeing that Eversource's taxable portion of the \$45 million purchase price is about \$2.7 million, which he said was not fiscally sound and would be irresponsible as a Board to agree to. He asked whether the \$42 million "non-property" PTF that the Board was being asked to sign meant that it was not taxable. Foskett responded that a non-property PTF has no personal property in it that is taxable, rather it is the amount paid to contractors for personal services. Foskett said that the Board had been provided with a breakdown of the personal property to show the value of it and that is not in the agreement.

Baghdady asked whether the Town is in agreement with Eversource that the numbers in the Asset Purchase Agreement are not binding on the Board of Assessors, so that Eversource cannot use the numbers as the basis of a tax abatement or proof before the Appellate Tax Board. Foskett said that there was not an agreement. Baghdady said that that was an issue. Reardon said there is more to personal property than just nuts and bolts, that the installation of a product is considered part of personal property tax in Massachusetts. He said that by putting into an agreement that the costs of installation and putting a product into service are not taxable, you are

not fully allocating to the assets the personal property which would be, under Massachusetts General Law, taxable.

Paolillo said that the Board was looking for language to be inserted and had made a motion to approve the agreement that depended on the insertion of the language as follows: *This allocation shall not be the basis for the assessment of town real estate and personal property taxes.* Paolillo asked Reardon if that would be acceptable. Reardon said that it would not be acceptable because of the use of “non-property” and could be considered intangible, making it non-taxable.

Everett stated that she sees the Agreement and the Allocation of Purchase Price as a contractual matter between Eversource and Belmont Light and the agreement is not evidence or binding on the Assessors. Reardon disagreed and said that the Town is entering into a contract with someone and he thinks a court of law would take a different opinion. Baghdady added that it was a material issue and would either bind the parties or not bind the parties.

Paolillo asked why Eversource would not agree to it being non-binding because it does not prevent Eversource from contesting its tax assessment or bringing it to the Appellate Court. He said the only way that Eversource would say that “non-binding” is unacceptable is if they want it to be binding, which would mean that they would use the language to challenge or appeal.

Everett said she is not sure how it binds the Assessors. Baghdady and Paolillo disagreed. Paolillo asked why the Board would arm Eversource with a document that could be used against the Town. Baghdady asked why Eversource wouldn't agree to an assessment of \$20 million and call it an accounting number.

Foskett asked Reardon if the non-property PTF rubric was a problem. Reardon responded that he has a problem with “non-property” but that he hasn't had a chance to review what is in the non-property PTF because he hasn't seen an analysis.

Williams said that there was an expectation of property taxes which is not relevant. He said that calling engineering and other tasks that Reardon had brought up as part of the non-property PTF, it does not meet the standard procedures of any assessors' office in Massachusetts.

Foskett read the language that Eversource had accepted: *The Purchase Price Allocation set forth in this agreement is not intended to limit the basis of any valuation of real or personal property made by the Town of Belmont and the City of Cambridge.* Reardon said Eversource could show that they had not impeded the Assessors from doing their job but the Assessor was wrong because it was only worth \$1 million. He said he would rather have it say it is not binding on either party to show that as a document.

Foskett stated that the line has to go back into service and become under the control of Eversource because when it comes online, it comes under regulation by the Federal Energy Regulatory Commission (FERC).

Reardon added that he would like Town Counsel to give his opinion on indemnification or for a change of the language. Foskett said that he could give Eversource the Board and Reardon's concerns. Baghdady suggested removing the allocation altogether.

The Board agreed to meet on December 15, 2016 to continue its discussion on the closing documents.

VI. ADJOURNMENT

The Board moved to adjourn at 6:49 P.M.