

**STERLING MUNICIPAL LIGHT DEPARTMENT
MEETING MINUTES**

Tuesday, May 26, 2009

BOARD MEMBERS: Richard Sheppard, Chairman
Arthur J. Coughlin, Jr., Clerk
Matthew Stelmach, Board Member

SMLD MANAGER: John Kilgo, Jr.

MINUTES: Sandy Pellecchia

IN ATTENDANCE: George Pape, 69 Redemption Rock Trail, Sterling, MA 01564
Julia A. Adam, CPA, Principal, Braver PC

Richard Sheppard (Sheppard) opens the meeting at 5:00 p.m.

APPROVAL OF THE AGENDA

Arthur J. Coughlin, Jr. (Coughlin) makes a motion to approve the Tuesday, May 26, 2009 agenda as presented. Seconded by Matthew Stelmach (Stelmach). Unanimously approved by the Board.

APPROVAL OF MINUTES

Coughlin makes a motion to approve the Tuesday, April 28, 2009 regular session Sterling Municipal Light Department Board Meeting Minutes amended as corrected. Seconded by Sheppard. Approved by the Board.

CUSTOMER COMMENTS

Customer Pape asks about his request for the SMLD year-end 2008 financials. Pape further asks if he will be charged for them as a ratepayer?

Sheppard says yes, the report is intended for the information and use of the municipal light board and management of the SMLD and the DPU and is not intended to be and should not be used by anyone other than these specified parties. He states that the info is provided under the Freedom of Information Act and that Mr. Pape is not a stockholder and that he will be charged a minimal fee.

Pape requests that the SMLD year-end financial audits be made available at the Town Hall, the Library and at the Light Department.

The Manager says it is available at the Town Hall and will be made available at the Library.

Pape then asks if the board will reorganize at this time? Sheppard says no, not at this time.

Pape then asks if the Manager will be painting the flagpole at the Legion building? The Manager says that yes, this is on his agenda as time permits.

Stelmach asks has the Light Department considered on-line bill payments? Kilgo answers yes. Sheppard asks about fees for credit card use. Kilgo says there will be a fee for credit cards.

AUDITOR'S PRESENTATION

Julia A. Adam, CPA, Principal at Braver PC was in attendance at the meeting and reviewed the independent auditor's report she provided to the SMLD.

Adam reviews the statements of assets, liabilities and net assets; statement of revenues, expenses and changes in net assets; and statement of cash flows. She adds that footnotes and supplemental information is provided.

Adam notes that the financials are presented not following the GAAP basis, rather on that required by the Mass Dept of Public Utilities. Please see the first footnote in the audit.

Adam says that from the statement of revenues, expenses and changes in net assets (page 7) 2008 is compared to 2007. Operating revenue was up and operating expenses were up due to purchased power.

Sheppard asks why maintenance of jointly owned poles are up. Kilgo explains the Verizon arrangement.

Sheppard asks about the in-lieu of tax payment. Kilgo states that the other payment went over in February.

Adam indicates that under the balance sheet and the statement of net assets, current assets were down due to use of power supply reserve in prepayments. The SMLD paid off its debt this year.

Sheppard asks about the working capital account. Kilgo says that we have about a million and a half as of year-end 2008.

Sheppard notes a comment about total sources of power (page 14). Sheppard asks where is the VT unit? Kilgo states that this is a mistake and thanks him for noting this.

The statement of cash flows is reviewed. Adam says there was a net decrease in cash in 2008. This shows that the SMLD used \$79K of its cash from the prior year.

Adam draws attention to other receivables explaining that this is expected to be received from FEMA and MEMA for ice storm. It is to be about \$560,000.

Sheppard asks about insurance during the storm. Kilgo notes that there are still a few open items here.

FINANCIALS

Kilgo notes that overall kWh sales are down almost 5%. Customer growth is stagnant. kWh dollars are up. The average system load factor is at 69%.

Sheppard looks at page 6 of the financials. He notes that we have a lot to make up in the next few months. Sheppard suggests that perhaps we could note this as a rising amount, projected, and indicate it as a rising line. Could the SMLD draw a dotted line and show where the diamond is at that particular point?

Kilgo asks since this is a year-to-date thing, can we simply show where we are differentially? Kilgo advises that the SMLD will get something in there.

Stelmach asks about the reduction in load. He asks if it is primarily in the residential category? Kilgo states yes residential. However, also look at the other categories put together on the next page. Sheppard also notes that folks cutting back and conserving.

ADOPTION OF CHAPTER 479 OF THE ACTS OF 2008

Sheppard introduces this topic as an employee liability trust.

Kilgo notes that for the past two years, the Municipal Electric Association of Massachusetts and legislators crafted legislation allowing Municipal Light Departments the ability to separately fund its post-employment liability because of their responsibilities as an autonomous entity. The revenue for this from an accrual accounting perspective is to basically make sure that benefits are paid when provided and to reflect in financial statements the effect of post-employment benefits going forward as well. Kilgo adds that we need to look out for the long-term.

Kilgo is looking for a Board vote. Then he will carry on with the study.

Kilgo adds that the SMLD wants to:

1. Recognize present cost of benefits.
2. Recognize actuarial accrued liability for future benefits.

3. Use the information to provide future funding for unfunded post-employment liabilities.
4. Annually review the extent progress is being made on the necessary future post-employment funding in a separate fund.

Kilgo will be hiring the appropriate actuary to properly analyze all present and future risks facing us in funding our post-employment liabilities so we can properly account for these expenses going forward. Kilgo states that there will be an official audit every three years. The Town Treasurer will be investing the funds.

Sheppard makes a motion for the Light Board which is: The Sterling Municipal Light Board hereby accepts and adopts the provisions of M.G.L.c. 32B, Section 20, as enacted by the Massachusetts Acts of 2008 Chapter 479; and that the Sterling Municipal Light Department hereby establishes a Sterling Municipal Light Department Other Post Employment Benefits Liability Trust Fund; and that the Manager is hereby authorized and directed to fund such Other Post Employment Benefits Liability Trust Fund in accordance with any actuarial study or in such amounts as the manager deems necessary or advisable to fund such post employment benefits liability consistent with prudent business practices; and that the Manager is hereby authorized and directed to take any action he deems necessary or advisable to carry out the purposes of this vote; and that any actions previously taken by the Manager consistent with the purpose of this vote are hereby ratified and confirmed. Sheppard asks for a second. Coughlin seconds the motion. Further discussion from Stelmach who questions the last part. Kilgo offers what he has reviewed to date. Coughlin, aye. Sheppard, aye. Stelmach abstains.

Kilgo thanks Stelmach for abstaining.

Customer Pape asks for the purpose of setting this fund up? Sheppard explains and also suggests that customer Pape look on line at the Massachusetts Acts and Resolves of 2008 Chapter 479. Kilgo offers that this year was the last to do this study.

OTHER BUSINESS

None at this time.

NEXT BOARD MEETING

The May board meeting will be held on Tuesday, June 30, 2009 at 5:00 p.m.

MOTION TO EXECUTIVE SESSION


Coughlin makes a motion to go into Executive Session per MGL Chapter 164, Section 47D to discuss confidential and proprietary information only to come back to open session to adjourn. Stelmach seconds the motion. Unanimously approved by the Board.

The Board goes into Executive Session as of 5:43 p.m.

RETURN TO OPEN SESSION AT 6:27 p.m.

MOTION TO ADJOURN

Sheppard asks for a motion for the Light Board to adjourn the meeting. Coughlin makes the motion and Stelmach seconds it. Unanimously approved by the Board. The meeting is adjourned at 6:28 p.m.

ATTEST: 
Arthur J. Coughlin, Sr., Clerk

DATE: 30 June 2009