

**Advisory Committee Meeting
Juliani Room, Wellesley Town Hall
Wednesday, January 2, 2019, 7:00 p.m.**

Those present from the Advisory Committee included Jane Andrews, Julie Bryan, Todd Cook, Rose Mary Donahue, Bob Furlong, Mary Gard, Jeff Levitan, Bill Maynard, Paul Merry, Dave Murphy, Lina Musayev, Betsy Roberti, Mary Scanlon, Tom Skelly, and Andrea Ward.

Tom Skelly called the meeting to order at 7:00 p.m.

7:00 p.m. Citizen Speak

There was no one present for Citizen Speak.

7:00 p.m. Municipal Light Board/Plant: Overview and FY20 Operating Budget/Capital Plan

Katherine Gibson, Vice Chair, Municipal Light Board (MLB); Jeffrey Wechsler, Secretary, MLB; David Donohue, MLB; Paul Criswell, MLB; Richard Joyce, Director, Municipal Light Plant (MLP); Debra Healy, Assistant Director of Administration, MLP; Donald Newell, Assistant Director of Operations, MLP; and Kevin Bracken, Assistant Superintendent, MLP, were present.

Mission/Overview

- Board recently reviewed and revised MLP's mission statement
- MLP is a business and different from other Town departments being reviewed
 - Generates revenues from ratepayers; costs have no tax impact to Town
 - Business operations include providing electricity and telecom/internet services
- Strong commitment to performing operations with safety, reliability, sustainability and competitive prices
- Commitment to providing support to the Town
 - \$1 million annual payment to the Town
 - Other support: e.g., in 2018, reduction in the Town's electric bill due to installation of LED streetlights (20-year benefit)

Budget

- Overview
 - FY20 operating budget totals \$34.5 million
 - 82% of the budget is externally driven: cost of purchased power and associated transmission and forward capacity costs
 - 10% of the budget is depreciation
 - Just over 7% of the budget is staff and assets of MLP
- Methodology
 - Zero-based approach; complete review of staff time allocations; attempt to make certain that cost projections of purchased power are well forecast
 - Used several different models and had conversations with ISO New England to understand the process and the variables that go into the pricing
- Budget Uncertainties
 - Amount of electricity that Wellesley College will want from MLP in FY20
 - If the College takes all its electricity from MLP, that will be about 10% of MLP's total demand

- For 25 years, the College utilized its own generators, but their useful life has been exceeded, so from July to November of 2018, the College came on to MLP as a “full requirement” customer
 - The College has subsequently managed to cobble together two of the generators; currently generating 40% of its own demand
 - MLP is assuming for FY20 budget purposes that the College will produce electricity itself and use MLP as a supplemental source
 - The College is/would be responsible for the cost of electricity and transmission, so no vulnerability for MLP
- MLP is in negotiations with AT&T to use 39 of the DAS (distributed antenna system) nodes to support their mobile phone services; would bring in additional revenue to MLP
- Contract for management of electricity at the former Fort Devens site is up for renewal in March; unsure if the contract will be renewed; could be a loss in revenue
- Starting this week, MLP is offering commercial internet service to businesses in Town; 22 customers signed up to start; budget assumes addition of five customers per month
- Purchased power costs will decline by 4% in FY20 because MLP has received good prices
 - MLP has already purchased enough power to meet the average expected demand
 - Looking ahead, costs for purchased power projected to be flat

A question was asked as to how the Wellesley College uncertainty impacts the purchased power: MLP is not hedged for a spike in demand from the College, so the College will pay the cost we incur to purchase power on the spot market; costs flow through to the College.

- Forward capacity cost decline is biggest reason for declining overall costs
 - Auction three years ahead settles how much power will be needed three years out
 - ISO New England attempts to guarantee that that much power will be generated
 - Big spike in those costs peaked in FY18 and is now going down
 - MLP knows what those costs are for this period of time going forward

A question was asked about hydro- and wind-generated power and how MLP determines from whom to procure energy: MLP is looking for clean energy; will be reviewed later in the presentation.

A question was asked as to the cause of the forward capacity cost spike in 2018: Had to do with conversion of the Salem Harbor plant into a natural gas plant.

- Slight decrease in transmission costs from FY19 to FY20
 - Transmission brings electricity from point of generation to sub-stations in Newton and Needham, from which MLP takes electricity
 - Decrease is basically the reduction in the demand from Wellesley College plus a small reduction in transmission costs
- Staffing: 30 employees at MLP who are allocated between distribution (18 FTE), customer service (7.75 FTE) and administrative & general (4 FTE)
- Delivery costs (includes administrative & general, customer service and distribution): 7.6% of FY20 operating budget
 - Increasing 2.4% from FY18 actual
 - Largest component of increase is customer service, due mostly to an additional \$115,000 to support a solar incentive program in FY20

Sustainability Initiatives

- In 2018, the Board commissioned a study by The Analysis Group to identify options and opportunities for the MLP to reduce emissions from electricity, looking both at efforts to reduce demand and opportunities to increase renewable energy in portfolio
- In FY19, 18% of the portfolio is from renewable energy sources
- MLP has signed a contract that will begin to add nuclear in FY20 and is exploring four other opportunities (agreements are signed with developers two to three years in advance of when power begins to be generated)
- If MLP can take advantage of all options identified, portfolio could be 47% renewable by 2025
 - If nuclear is added in, then portfolio would be 60% non-carbon emitting

A question was asked whether there is any nuclear energy in the portfolio currently: No, the contract begins supplying power in 2020.

There was a question when the Martha's Vineyard wind farm will come on line and what the price structure will be: MLP cannot participate in first offshore wind farm, but possibly can in the second, which is coming online in 2023; fairly good pricing at \$99.50 per megawatt hour, which includes battery storage (if battery storage netted out, price is reduced by about \$20 per megawatt hour).

- Solar incentive plan for FY20 is to increase residential solar installations
- MLP has budgeted \$45,000 to continue home energy audits with more “bells and whistles”
 - Audits have made a difference to customers (e.g., installing LEDs produces instant paybacks in reducing emissions and reducing costs to customer)
- MLP pays half the salary of the SEC administrator
- MLP offers rebates on energy efficient appliances, heat pumps and smart thermostats

Capital Investments

- FY20 capital investments total about \$3.5 million
- Relatively steady amount of capital investment over time; key to maintaining reliability for customers
- Capital investment is fully funded with depreciation
- Key elements of capital budget were discussed, including
 - Phase 1 of the Station 453 reconfiguration: During the last 5 years, MLP has converted the distribution feeders out of the Cedar Street station to much larger lines, which will allow elimination of the substation and avoid replacing transformers; will eliminate \$1 million in future capital costs, will reduce emissions and save operating costs.
- Relatively small increase in combined operating and capital costs from FY13 to FY20; favorable outlook for holding costs steady going forward

Cash Balance

- Available cash balance has been declining in FY17-FY19 due to the big spike in forward capacity costs
- MLP raised prices in October 2017, but that was not enough to cover full spike in costs, so MLP drew down cash reserves through FY19
- Expectation in FY20 is to re-build cash reserves as forward capacity costs drop

A comment/question was made as to where the nuclear power comes from and whether there are still concerns over nuclear power safety: Not certain all the concerns have been eliminated, but nuclear energy is about 25-30% of the grid and it is really important for keeping emissions down; until we can build up something else to replace it, we can't do without it; nuclear also serves as a hedge against the price of

natural gas going up; reliability requires that there always be generation, and as wind and solar – sources that function intermittently -- become bigger on the grid, then we have to have other sources that produce steadily; current nuclear power comes from Seabrook in New Hampshire, the only remaining source in New England; new contract is a direct one with a small provider.

A question was asked as to why such large cash reserves are maintained: The rating agencies want to see a minimum of \$5 million in cash reserves.

An Advisory member congratulated the MLP and the Board on its operating budget, and asked for additional details on what aspects of the budget declined as a result of the zero-based budgeting approach that was used this year: Staff allocations were reviewed to make sure staff were going to the right activities, but not sure that drove costs down; reduction in forward capacity costs was biggest reason for overall cost reductions, but that is not within MLP's control; in terms of zero-based budgeting, MLP tried to satisfactorily forecast/model forward capacity costs and purchased power costs so that budget would be as accurate as possible; the 2.4% increase in the cost of operations is where you see consistent year over year tight control of the costs that MLP can directly control, but that is a small percentage of the budget.

A comment was made that it looks like we are maintaining excess capacity of 49% over our demand, and a question whether that is a high amount (e.g., may have been closer to 20% in prior years): The 49% figure is not a MLP decision; that is determined by ISO New England; reserves are kept to ensure capacity in case renewables (which can be less reliable/intermittent) are not producing energy.

There was a brief discussion about the impact of cost increases/reductions on rates. MLP does reduce rates when appropriate, though there are legal limits on how far it can go; MLP also has non-operating income (Fort Devens, internet, etc.) that comes into play; MLP rates are quite good compared to investor-owned utilities.

A question was asked whether there is potential for transmission wires to become so hot that they start fires and, if so, whether there would be liability on MLP: MLP doesn't own the supply lines and they are all underground; MLP would not be liable.

A comment was made thanking the MLP for buying so much renewable energy and for retiring the Renewal Energy Credits (RECs), and expressing hope that the MLP will continue to be a leader in this regard. There was a follow-up question about the future of the voluntary renewable energy program now that the RECs are being retired: Board has not fully made commitment yet to retire RECs; has not yet talked about what to do with the voluntary renewable energy program when/if it is retiring all the RECs.

A question was asked whether there would be staffing implications if the Fort Devens contract were not renewed: Yes, would reduce line operations staffing by 3 FTEs.

There was additional discussion about the voluntary renewable energy program and RECs. Environmental benefits from reduced emissions are sold through RECs. For example, a wind farm generates one megawatt of electricity and has one REC that it can sell to the buyer of that electricity or on the secondary market. MLP buys the electricity and the REC from the wind farm. Today MLP offers a voluntary renewable energy program where customers can say, "I want my electricity to come from renewable sources," and pay an extra 4 cents per kilowatt. That extra money is used to buy the RECs. Participation in the voluntary renewable energy program doesn't yield as much revenue as the RECs cost, however, so MLP sells the remainder of the RECs on the secondary market; the funds acquired from those sales can be used to support other MLP initiatives, such as solar incentives and home energy audits. MLP is discussing whether to retire the RECs rather than sell them on the open market.

A question was asked as to what happens if homeowners generate more electricity from their solar panels than they need: Anyone with solar finds themselves over- and under-producing at certain times; “net metering” takes account of this; excess energy is put back on the grid or energy is taken from the grid as needed; Wellesley is outstanding in net metering since it offers the same price in both directions; in addition, the Town is very supportive of solar; excellent service and support from MLP for customers doing a solar installation.

7:55 p.m. Board of Public Works

Jeffrey Wechsler, Chair, Board of Public Works (BPW); Paul Criswell, Vice Chair, BPW; David Donohue, Secretary, BPW; David Cohen, Assistant Director, Department of Public Works (DPW); and David Hickey, Town Engineer, DPW, were present.

Tax Impact Operating Budget

- Organization and staffing: 5 divisions, 117 employees (headcount has declined over time)
- Operating budget affects everything except water and sewer (those are enterprise budgets; discussed below)
- 1.6% increase (\$111,612) overall in operating budget from FY19 to FY20
 - Personal services (largest component of operating budget) increase of 2.2%, expenses increase of 2.9% and winter maintenance increase of 2.5%
 - Overall increase would have been 2.4%, but RDF business initiatives expenses decreased 42.9%
- DPW has personal services funded by other sources (e.g., street permit program, work for others); that amount is not part of operating request

A question was asked as to why the FY20 funding for winter maintenance is less than actual amount incurred in past: FY20 operating request includes a small standard increase (2.5%) for winter maintenance; as permitted under state law, the Town’s practice is to request supplemental winter maintenance for current year at ATM in amount actually incurred over current year’s appropriation; practice is preferable to requiring Town to set aside excess funds (which might not be needed in any particular year) in advance.

Tax Impact Capital Budget

- Objectives were presented and discussed
- FY20 tax impact cash capital (\$2,276,000) is higher than FY19 (\$2,026,000) but significantly lower than projections last year
- Chapter 90 funding (\$790,000) and long-term bonding (\$500,000) fluctuate each year
- Other funds to be used in FY20 (\$950,000) include: \$150,000 from a prior year’s appropriation to be used for Walnut Street design; \$300,000 from the Town towards the Hunnewell Softball Field Renovation; and \$500,000 from the Turf Field Replacement Account (field use fees) towards the Sprague turf replacement

A question was asked about the timeline for the completion of the Grove Street project, given that the funds for these road projects (e.g., Cliff Road or Grove Street) seem to be appropriated a full year in advance of when the work is actually undertaken: For Cliff Road (appropriated for FY18), the work was delayed a year because of gas line work that had to be coordinated with National Grid; hoping for Grove Street (appropriated for FY19) to be done this summer, although some problems with steel plating; DPW cannot begin projects without knowing the funding is there, but sometimes delays are caused by other issues.

- Use of capital funds was presented and discussed
 - Street improvements (\$1,175,000 for FY20) are more routine and are funded with a mix of Chapter 90 funds and cash capital
 - The goal for resurfacing of the roadways is 10 miles of paving/crack sealing each year
 - Wellesley has 95 miles of streets and these are maintained on a 10- to 14-year cycle
 - Sidewalk restoration (\$50,000 for FY20) is funded through cash capital

A question was asked how the decision was made to reduce the sidewalk restoration budget this year (from \$100,000 in FY19 to \$50,000 in FY20): Approximately \$300,000 in sidewalk funds are available from prior years to be spent; this past summer, interns did sidewalk audit (walked the Town and took photos and logged issues); this documentation will help with sidewalk work over the coming years; there are 116 miles of sidewalks in Town and the sidewalk restoration funds will address the areas with the most severe issues.

- Street rehabilitation (larger projects) is lower for FY20 (\$150,000 vs. \$2 million in FY19) because DPW proposing to do Walnut Street design in FY20, which will be funded with prior year available cash capital
 - Town has 17 miles of major connector streets
 - Great Plain rotary design is being done by an outside consultant and funded in part by Board of Selectmen parking/street funds
 - Will be a re-design of the current configuration, as it is considered to be a very dangerous intersection (15 to 17 accidents per year)
 - Actual construction to occur in FY21
- Storm water drainage program will address the catch basins for run-off to reduce flooding and damage to property
 - Master study done every 20 years
 - DPW needs to make certain that the run-off is not infiltrating the sewers
 - Increasingly complex state and federal requirements; expect costs to continue to go up

A question was asked where this storm water work will be done: DPW has an assessment that lays out plan of work; DPW is aware of areas that traditionally have had ponding and drainage issues and evaluates road conditions in the spring so work is coordinated (i.e., don't want to repave a street that needs storm water attention); the \$200,000 outlay for FY20 deals with smaller pipe upgrades.

- Athletic Field Program (\$1,680,000 for FY20) is planned in conjunction with the Playing Fields Task Force (PFTF)
 - DPW is coordinating with HHU regarding the playgrounds at those schools

A question was asked about the softball field project at Hunnewell/Lee Fields: The assessment by the High School and Recreation focused on Lee as well as the multipurpose Hunnewell field; consultant investigating all options. There was a follow-up question about the removal of trees at Lee Field: Current thinking is that we can accomplish everything we want without taking down any trees, but will involve shifting some drainage; next step is a public hearing with NRC; then expect to seek permits from Wetlands Commission.

A follow up question was asked as to what the cost is to do a work-around to save the trees (vs. removing trees and replanting): There are benefits to keeping the trees; cost is about \$25,000-\$50,000, compared to \$10,000 to remove trees and replant; costs are not just the trees.

A comment was made that the Sprague artificial turf was deliberated at length when it was installed, and there was a question whether the current turf has lasted as long as it was intended to and whether the replacement turf will last longer: Expected eight years (warranty) for the Sprague field and it has lasted 11 years; unknown how long the turf will last going forward; environment and exposure to sun affect the life; any product gains in useful life have been modest; no manufacturers are offering warranties longer than eight years; we have an excellent consultant.

A question was asked about the Sprague turf costing \$1 million and why only \$500,000 is reflected in the DPW capital budget: The additional \$500,000 comes from the Turf Field Replacement Fund, a revolving fund for the field use fees collected from leagues and special events; fees have been collected for ten years; rates were raised three or four years ago.

- DPW's vehicle replacement program (\$1,136,000 for FY20)
 - DPW has 140 vehicles and 200 supporting equipment units
 - In FY20, DPW plans to replace eight vehicles and six equipment units
 - DPW tries to balance each year's request for vehicle replacements so there aren't six or seven high cost items in a given year

A question was asked as to what is done with the vehicles that are no longer serviceable or useable: Typically, they are traded in to the seller of the new vehicle.

There was a request for an update on the bathroom project at Hunnewell field and the bathroom/team room project at the High School: For Hunnewell field bathroom, funds appropriated at 2017 ATM; ran into issues; bids for pre-fabricated construction came back much higher than vendors had indicated; timing of bid was peak season; DPW piloted different type of test unit this fall at Hunnewell field; feedback has been good; may attempt to try to bid again on a pre-fabricated unit. For High School bathroom/team room, funds appropriated at 2018 ATM; project winding way through PFTF, Schools and Recreation in coordination with DPW; no RFP out yet, just feedback from vendors and designs and schedules have been received; hope there will be a solution by the summer.

A comment was made that this is the third year that the bathrooms at Hunnewell field have been discussed, and given that funds were appropriated in 2017, Town Meeting may ask about status: DPW will be prepared to address this at ATM.

Water and Sewer Enterprise Fund Budgets

- Overview
 - Enterprise funds are state regulated, non-profit entities
 - Funding is received from rate-payers, not from tax appropriations
 - Cash flow is budgeted to break even in a moderate usage year
 - Water and sewer revenues depend on water usage, which in turn depends on weather; in Wellesley the water usage triples during the summer and this is related to lawn use

A question was asked whether there is a shortage of water supply: Not in Wellesley. There was a follow up question whether Wellesley is still using wells: Yes, Wellesley's water supply without MWRA is from deep wells.

A question was asked whether there is a way to incentivize people to limit sprinkler usage in the summer (e.g., upgrade systems, don't use when raining, etc.): People already have to pay for the outdoor water they use; two-tier rate structure for indoor vs. outdoor water; notices are placed in the quarterly bulletins

re: conservation; nine months out of the year Wellesley is self-sufficient with water, but seeks additional water from MWRA in the summer; Wellesley has plenty of water; rain recharges the aquifers.

- Total FY20 water budget (including capital): \$8.6 million (4.4% decrease from FY19)
 - MWRA water charges down 1.4%
 - Interest expenses down 50%
 - Water capital budget
 - Vehicle budget down
 - Water meter replacement costs up from original projections and appropriations; DPW will begin to replace water meters with newer smarter meters that will ultimately result in cost savings
- Total FY20 sewer budget (including capital): \$9.3 million (6% increase from last year)
 - MWRA sewer charges up 3.5%
 - All sewage is connected to the MWRA
 - 6% overall increase in sewer budget for FY20 ties into 5% sewer rate raise in FY19
 - May need to raise rates another 5% for FY20
 - Capital budget: will be expenditures on vehicles in FY20 (none in FY19)

Review of Annual Town Meeting Articles

- Water Fund and/or Sewer Fund loan authorization: Need Town Meeting authorization to borrow money through MWRA; attractive source of funds
- Acceptance or Abandonment of Easements
- Walnut Street Reconstruction Design: Focus is on Washington Street to Cedar Street; will address sidewalk definition issues; remainder of Walnut Street probably won't change
- Sprague Field Artificial Turf Replacement
- Hunnewell Softball Field Improvement

DPW Benchmarking Update

- Benchmarking study with Needham and Natick completed in 2017
- Results available on DPW website and were presented to Advisory last year
- New towns (Franklin and Dedham) have been added recently
- Two areas of concern for Wellesley: highway maintenance and fleet maintenance
- Highway maintenance
 - Wellesley continues to work with peer communities to get a better understanding of each of the benchmarks
 - Wellesley's total cost per mile was the highest of the three towns, but its cost per mile for resurfacing was the lowest; Wellesley has more staff than other communities and completes more work in-house
 - More questions are developed as the numbers are evaluated
- Fleet maintenance
 - Wellesley's fleet maintenance cost per unit is higher than the other communities
 - Hard to define what a "unit" is when evaluating the cost per unit
 - Group originally looked at all items that are "powered and plated," but now moving to refine analysis by considering vehicle equivalents (e.g., "base" model is sedan and dump truck is worth three or four sedans)
 - Wellesley also finds it difficult to hire mechanics, so more work is contracted out, which is more expensive; other towns are able to do work in-house.

There was a question as to what major changes have been implemented in Wellesley as a result of the survey: No major changes have been made; other towns are modeling after us; there is a degree to which Wellesley does things differently (e.g., traffic islands).

A question was asked about the water benchmark being higher than other communities: Wellesley has costs for maintaining three water treatment plants; other towns don't have these costs.

A question was asked whether Wellesley initiated the benchmarking study, whether it's still ongoing, and whether it takes much staff time: Wellesley got together with Natick and Needham; a couple of retired DPW employees were able to work on it at outset; challenge is getting the data to do the analysis.

A question was asked whether benchmarking would be fruitful for other areas of the Town: It is a real effort, it doesn't just happen; largest benefit has been the collaboration with other towns to learn best practices.

- Municipal comparisons of the participating towns were presented
 - Wellesley has higher staffing than other communities: need to be able to defend that
 - The next step will be to look at level of service provided
- Other benchmarking updates
 - Staffing is down to 117 from 119 a few years ago
 - Wellesley's Highway Division has more employees (we do street resurfacing and we have night watchmen)
 - Trying to develop metric to measure the level of service these staff provide
 - Snow & Ice: replaced dedicated sanders with multi-purpose vehicles (e.g., can be used as dump trucks in the summer; use of brining (could reduce salt use by 30% or more)
 - Park & Tree: using remote-controlled irrigation system to monitor Town water usage for field watering; changed recycling at fields to plastic only, which reduced labor and increased quality of recycling
- Benchmarking group continues to meet and will add FY18 information
 - Natick taking a more passive role as they don't have the available staff

A question was asked whether there are working water fountains at the playing fields: Yes; recurring replacement of those fountains; newer ones have "bottle fill" feature.

A comment was made in support of the benchmark study and the effort being put into it. Appreciation was expressed that the results are being taken seriously and that DPW is learning and asking questions about how and why things are done. The study is a valuable tool for understanding where costs are and whether something should be taken out or a service delivery improved.

An additional comment was made that now that we have the study, we need to figure out the return on service. DPW was thanked for its budget and hard work.

9:36 p.m. Minutes Approval

Andrea Ward made and Paul Merry seconded a motion to approve the December 5, 2018 minutes. The motion passed unanimously.

Andrea Ward made and Julie Bryan seconded a motion to approve the December 12, 2018 minutes. The motion passed unanimously.

9:37 p.m. Liaison Reports/Administrative Matters

Schools (Jane Andrews/Todd Cook/Lina Musayev)

- Several detailed budget meetings with School Committee and Schools staff
- Main question: how to justify proposed 11 FTE increase, given slight decrease in enrollment projections
 - Superintendent's argument is (1) general education has suffered over the past several years and (2) strategic plan needs
 - SC continuing to review
- Likely will be an article on ATM warrant to add funding (beyond Medicaid funding) to the Special Education stabilization fund
- Possibility of supplemental request for FY19
- SBC: Ten options for Hunnewell site are on the Town website
 - Public forum scheduled for January 29, 2019
 - Then SBC will vote to do more detailed analysis on 3 or 4 of the options

9:45 p.m. Adjourn

Jane Andrews made and Lina Musayev seconded a motion to adjourn. The motion passed unanimously.

Items Reviewed During the Meeting

- *Wellesley Municipal Light Plant Fiscal Year 2020 Operating and Capital Budgets, Advisory Presentation, Power Point Presentation (January 2, 2019)*
- *Town of Wellesley Department of Public Works, Overview and Presentation to Advisory Committee, Power Point Presentation (January 2, 2019)*