

Advisory Committee Meeting Minutes

Date: September 29, 2020

Place: Remote Meeting via Zoom

In attendance: Committee Members Bob Curley, Julie Strehle, Victor Baltera, Eryn Kelley, Evan Sheehan, Brenda Black, Libby Claypoole, Andy McElaney, Nancy MacDonald, Davalene Cooper, Dave Anderson, Alan Macdonald, Tina Sherwood, Kristen Dziergowski, George Danis and Town Accountant Sue Nickerson.

Absent: No one.

Call meeting to order: Chair Curley called the meeting to order at 7:03 pm and read the following statement:

“This meeting is being held remotely as an alternate means of public access pursuant to an Order issued by the Governor of Massachusetts dated March 12, 2020 Suspending Certain Provisions of the Open Meeting Law. You are hereby advised that this meeting and all communications during this meeting may be recorded by the Town of Hingham in accordance with the Open Meeting Law. If any participant wishes to record this meeting, please notify the Chairman at the start of the meeting in accordance with M.G.L. c. 30A, § 20(f) so that the chair may inform all other participants of said recording.”

Comments from the public regarding items not on the Agenda: None

Welcome new AdCom members: Mr. Curley recognized new member Brenda Black (replacing Kathleen Almand who resigned) and stated that we would do a more formal introduction later in the meeting.

Approval of minutes: Minutes of the September 15th meeting, with revisions, were approved by roll call vote of 13-0-1 (new member Brenda Black abstained).

Hingham Municipal Light Plant: Paul Heanue, General Manager of the Light Plant, presented a financial and operational overview for the benefit of the committee. Topics discussed included the following three year financial results (all numbers are in millions):

HMLP July YTD	CY 20	CY 19	CY 18
Kilowatt hours billed	106	108	113

Revenues	17.2	17.4	15.3
Expenses	16.0	16.6	16.0
Net revenue	1.7	0.8	-0.6

Mr. Heanue pointed out that payments to the Town in lieu of taxes (PILOT) were determined by the number of kilowatt hours billed per an agreement signed in 2008. The reduction in kilowatt hours, which is driven by an increase in energy efficient appliances, homeowner solar panel installations and warmer than normal winters, has resulted in PILOT payments decreasing from a projected \$500,000 to \$487,000 in FY-20.

Mr. Heanue identified three cash accounts totaling \$26 million which at first glance might appear to represent cash that could be given to the Town to help offset COVID-19 related revenue shortfalls and increased expenses. The make-up of these funds is as follows:

1. Depreciation Fund: \$13.6 million. This is money set aside to fund future expansions and is used to lower any necessary borrowing to fund those expansions;
2. Stranded Cost Fund (Rate stabilization): \$7.3 million. This is money used to stabilize costs to ratepayers in the event of sudden changes in the cost of power;
3. Cash Operating Fund: \$6.9 million. This is money set aside to cover monthly expenses in the event of a revenue shortfall. The industry standard is 2-3 months of expenses held in reserve which is what the Light Plant currently has.

Mr. Heanue stated that the Light Plant is planning a third transmission line into the Town (and a new sub-station) at a projected cost of \$30 million (plus land acquisition and permitting) and that the depreciation fund will be used to reduce the borrowing needed to fund this project. The primary purpose the 3rd transmission line construction is to provide power for the town should a catastrophic event occur in which the infrastructure that supports the town's two current lines is compromised and thus both lines are out of commission for some period of time. Mr. Heanue further stated that this transmission line would help support a possible lease by Amazon of a warehouse facility in South Hingham as Amazon's goal is to have electric powered delivery vans. A side benefit would be that charging the vans would increase the kilowatt hours sold by the Light Plant and would then increase the PILOT payments to the Town.

In response to a question from Mr. Curley about RECS (Renewable Energy Credits), Mr. Heanue stated that these credits are a commodity that can be purchased and sold within a market. The purpose of the market is to allow investor owned utilities, which are legally required to obtain 18% of their power from renewables, to meet any shortfall in their requirement by purchasing RECS. The Light Plant sold and purchased RECS in CY- 20 at a net profit of \$660,000. The Light Plant Board Commissioners are discussing the possibility of a one-time payment to the Town of some of these funds in recognition

of the financial condition of the Town due to COVID-19 issues. The Commissioners also want to use some of these funds for investment in renewable energy sources. Mr. Heanue explained that by law the revenues generated by a municipal utility are required to be used for the benefit of its ratepayers unless an amount were considered to be “excess cash” which could then be given to a city or town. The determination of excess cash is within the discretion of the Light Board.

Mr. Curley inquired about renewable energy such as solar and Mr. Heanue stated that the Light Plant had a self-funded rebate program that was similar to that offered by Mass-Save. He also stated that the Hingham Net Zero group had been instrumental in advocating for the Light Plant to provide cash payments rather than account credits for qualifying purchases.

Mr. McElaney inquired about depreciation, stranded cost, net investment in capital assets and the cash operating fund to determine the make-up of these items and in comparison to how they are identified on the Light Plant’s financial statements. Mr. Heanue stated that he could better respond to these questions by reviewing the documents and Mr. McElaney stated that he would follow-up.

Mr. Macdonald asked if PILOT payments could be provided as services rather than outright cash payments and Mr. Heanue stated that he was not aware of any utilities offering this type of program and did not see this as a viable option going forward.

Mr. Baltera raised a question about the reliability of nuclear power and Mr. Heanue stated that the Light Plant receives 28% of its power from the Seabrook and Millstone nuclear plants. He added that the NRC has extended the license of Seabrook by 40 years and that Millstone has received financial support from the State of Connecticut in order to be competitive with gas generated electricity. He believes both plants will continue to provide the Light Plant with electricity well into the future based on these updates.

Mr. Anderson asked about “demand charges” which had been raised by the DPW during the FY-21 budget process. Mr. Heanue stated these are common within the industry and are designed to charge specific users for temporary surge capacity needed to accommodate users whose equipment or other needs temporarily surge as equipment is turned on.

John Borger, citizen, commended the Light Plant for changing their rebate program from a credit to a cash payment basis and stated that the cash payment would allow more residents to invest in energy efficient programs. Mr. Borger also inquired about the impact of COVID-19 on Light Plant receivables to which Mr. Heanue replied that they had not experienced any problems from residents but that some small businesses (for which the Light Plant maintains a security deposit) had gone out of business.

Review of current forecast document: Ms. Nickerson led a review of the August 31 FY- 21 Monthly Analysis Spreadsheet. This spreadsheet is part of the Town's FY-21 Financial Management Plan and will be updated and reviewed monthly.

On the revenue side, Ms. Nickerson stated that revenue is in line with the forecast when adjusted for timing issues. Building permits are down and the first quarter meals tax revenue will not be known until September. Mr. Baltera raised a question discussed during the September 14th meeting about the unused levy and Ms. Nickerson stated that she would clarify with Mr. Mayo but proposed updating the spreadsheet to reduce property tax revenue by \$500,000 and decrease the overlay account by the same amount. She added that any changes would be in the presentation of the information and would have no effect on net revenue or expenses.

On the expense side, Ms. Nickerson stated that expenses are being controlled due in part to the deferral of capital expenditures till the 2nd quarter and that teachers are not paid in July or August. Mr. Danis asked about the process for changing the forecast and Ms. Nickerson stated that any changes would appear starting after the first quarter actual results are final.

Mr. Anderson asked about the revenue and expenses at the Country Club. Mr. Curley offered that revenue from golf was good due to cart rentals but that restaurant and event business is off due to COVID-19. The Town is in discussions to possibly adjust lease payments to reflect the decreased restaurant and event business.

Discussion of Public Safety Facility and Potential Special Town Meeting: Ms. MacDonald gave an update on the project. The initial design of the building, and the parking lot, have been re-done. Additionally, the Town has had discussions with the State and MBTA regarding access and traffic lights and those discussions have gone very well and no issues are anticipated. Geotech-testing is ongoing with final results expected by the end of October. Ms. MacDonald stated that an initial vote of the Public Safety Facility Building Committee will occur October 8th and a final one on October 13th. Following the final vote there will be a joint presentation to the Board of Selectmen and Advisory Committee on October 15th with the Warrant Article due to the printer in late October.

Ms. Claypoole inquired about the cost of the building and Ms. MacDonald replied that the building committee was preparing a very rough estimate. Ms. Black inquired about flooding concerns due to the proximity to the harbor and Ms. MacDonald replied the committee and architects identified this as a concern and that the design would reflect proper safeguards. Mr. Sheehan questioned the timing of the process and whether it was appropriate. Ms. MacDonald and Mr. Curley reviewed the process, the planned meeting schedule and the date the Warrant has to be at the printer. The process is being driven in part by two dates. The first is a November 30th deadline for the Town to walk away from the deal and the second is a December 30th deadline to purchase the property according to the Purchase and Sale Agreement.

Liaison reports:

Education: Mr. Anderson stated that schools had begun in-person learning on the 28th and reminded everyone of the upcoming joint budget planning meeting scheduled for October 3rd between the School Committee, Administration and ACES AdCom subcommittee and that all AdCom members were invited to attend.

Water: Mr. Anderson stated that the transition from Aquarian to the Weir River Water System had been smooth with no issues. Mr. Curley inquired about the impact of the ongoing drought on the water supply and Mr. Anderson said that no significant issues have occurred.

CPC: Ms. Strehle gave an update on the CPC process. She stated that the estimated available funds for the year are \$1.2 million but that debt service for the Lehner property and Benjamin Lincoln house purchase will reduce that number to about \$750,000. The CPC Committee currently has 10 grant requests totaling \$4.3 million. Significant requests include the South Shore Country Club (pool, \$3 million), the Hingham Affordable Housing Trust (\$800,000) and Bare Cove Park (\$237,000). Other requests are:

1. Hingham Housing Authority: Four requests for \$86,000. These requests are being reviewed to see if they are included under the program's statutory requirements;
2. Town Memorials: \$25,000;
3. Development of a vision for Hingham harbor: \$60-\$75,000;
4. CPC administrative fund: \$10,000.

Final applications are due October 13th.

Housekeeping items: Mr. Curley led the Committee in a round of introductions for Ms. Black and added that this item was also one that had not been anticipated within 48 hours of the meeting and therefore could not be formally listed on the agenda.

Matters not anticipated within 48 hours of meeting: None other than the introduction of Ms. Black.

Adjourn: Roll call vote to adjourn at 9:22 pm (14-0)

Respectfully Submitted,
George Danis, Secretary

List of Documents Distributed for this Meeting:

Agenda
September 15th minutes

Approved on 10/13/2020