

ASHLAND BUDGET COMMITTEE

NOVEMBER 15, 2011

DRAFT MINUTES

MEMBERS PRESENT: S. Coleman, D. Golden, C. Austin, D. Ruell, S. Felton, M. Scarano, F. Newton

MEMBERS EXCUSED: I. Heidenreich, M. Brown, K. Stack

OTHERS PRESENT: K.L. Hughes, D. Vaughn, L. Nichols, L. Pack

The meeting came to order at 6:00pm in the conference room at the elementary school.

S. Coleman told the budget committee that she took the position of interim electric commissioner to be held till March. Because this is an appointed position and the budget committee is an elected position, she asked to sit with the budget committee instead of sitting with the other electric commissioners.

S. Felton thanked the electric department for providing the information requested before the meeting.

L. Nichols passed out handouts.

L. Nichols voiced his concern about the electric dept. "being targeted" by the budget committee.

L. Nichols explained the handout that he gave us re: power supply expenses, settlement load (which are kilowatts contracted to buy) and metered load (actual usage of kilowatts), total power supply, and coverage ratio. This handout is for Ashland only, New Hampton is billed separately.

Another handout was for comparative rates between Ashland Electric Dept. CO-OP and PSNH.

On the income part of the budget:

Misc. user charges and fees: Fairpoint has 50% ownership of poles they are on. They pay us \$700. per 40' pole. (one time deal). Time warner, Metrocast plus 2 other companies rent space on our pole, and pay yearly.

Sales parts and services: Consists of mostly New Hampton

New Hampton power purchase was reduced by \$40,000 for 2012 due to the new contract we have with them.

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Misc income other: Income billed to New Hampton. The electric company charges New Hampton an extra .01 per kilowatt for handling charge, including transmitting charges.

Steve Felton asked about the lines used to determine the gross profit dollars earned on sale of power to both the town and New Hampton and Lee Nichols confirmed lines used. This would be gross profit on power purchased before other expenses.

Expense section of the budget:

D. Ruell explained that there is no salary line for the electric dept. The labor is broken down into the category of work they did for that particular job. Total amount of “labor” ran about \$210,000.

Superintendence includes vacation, holiday, sick time, and meetings for Lee and Joe.

Billing and accounting—labor includes the office help and the town treasurer.

Revenue bond principal: The electric dept is in year 7 of a 15 year bond. The bond covered No. Ashland Road. Project is not complete. Completion cost to finish is estimated at \$175,000. No set completion date required. Money is not currently in the budget.

Poles & fixtures: the money is taken out of the capital reserve then put into the budget at the end of the year, if there is money available.

Budgeted power purchase cost for 2012 is at \$2.4 million. This is a reduction of \$300,000 from 2011 budgeted amount of \$2.7million due to the new contract. The 2011 estimated actual power purchase expense is expected to come in between \$2.1 million and \$2.3 million.

In 2012 the electric company is contracted to purchase roughly 22 million kilowatt hours.

The \$2.4 million for 2012 budgeted power purchase expense includes Ashland power purchase, New Hampton purchase, and incidental charges (3 transmitting charges, CDA charge etc.). Estimate of \$1.74 million for power purchase alone for 2012, not including other charges attached to power purchase. Total with other power related charges will be about \$2 million to \$2.1 million.

The maintenance figures for 2012 has a 3% increase over the previous year.

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Computer expense: new computer system (will include licenses, hardware, software, everything), to be compatible with the handheld devices to read meters. Right now they are down to two companies to choose from. The company chosen will print and mail bills out. Company will bill electric dept. an estimated \$10,000 per year with a \$45,000 one/ time expense. The electric dept is hoping they will be up and running with the company around July 2012. Customers will now be able to see their account online as well as pay online.

Based on a question from the budget committee, it was stated that a multi- year power purchase agreement that commits the utility to a multi-million dollar purchase per year does not need voter approval.

Office supplies: Increased due to the proposed new computer billing program.

Insurance line consists of: life, property liability, vehicle, LGC, etc. Budget committee needs an answer on why it is budgeted at \$23,000 with actuals ytd of \$6758

Health insurance: Lee voluntarily contributes \$20.00 per week to his health insurance premium. Health insurance will go up 2.4% in 2012. No other employee contributes at this point.

Electric dept. rates pay for the salaries of its employees. There are four employees under health insurance.

Workman's comp: 90% is for Joe and Lee.

Truck expense-other: \$45,300 is for the new truck purchase. The value of the truck will be set up as depreciated asset on balance sheet in 2012.

Hydro maintenance: FERC says electric dept needs to do things at hydro location (engineering studies: measurements upstream, depth of water, erosion, etc.) The budgeted cost will be \$45,000.

Depreciation: Electric dept. hopes to set money aside starting in 2012 for depreciating assets. There was a discussion on depreciation and how much money should be set aside for replacement of depreciated assets and the need to save some amount to limit the amount needed to be borrowed when replacement is required. Discussion also included actual depreciated expense based on depreciation tables done by auditors and amount budgeted as a financial expense. Question was raised as to appropriating expense for depreciation, when the appropriated amount is not put aside as a reserve.

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According to the budget vs. actual sheet that was provided to the budget committee if we take the actual total income minus the actual total expenses for 2009 there is a loss of \$572,080 and a loss in 2010 of \$257,853. Part of that is depreciation of just over \$129,000 each year, which is money not spent or put aside. Lee explained that in 2008 the electric dept won a lawsuit roughly in the sum of \$320,000, which resulted in a net income of about \$568,000 in 2008. A portion of this money was used to subsidize 2009 losses. \$100,000 went to a capital reserve account.

In looking at the Oct. 2011 ytd. financial statement, it was noted that it appeared the New Hampton power purchase expense is not included, while the income is. S. Felton asked why it would not be accrued since it is an accrual accounting system. It was stated that the actual cost was not known and an estimated cost was not in the Oct. financial statement.

P. Branscombe asked why the commissioners allow L. Nichols to voluntarily contribute to his health insurance. Health insurance proposals from the town were delivered to the electric dept and water and sewer dept. for the commissioners and L. Nichols two weeks ago. The health insurance proposals are in regards to employee contributions to the health plan that the town is reviewing. L. Nichols stated that he will look at them.

A member of the public asked who the four employees in the electric dept are. Lee said "himself, Joe, Linda and new employee"

A member of the public also asked the commissioners what their take on the budget was. They said they were fine with it.

The electric dept pays K. Mudgett's salary and water & sewer pays them back. Reason being that the water & sewer doesn't have their own tax id #.

The next meeting for the budget committee to meet to have the police, building inspector, health & welfare present their budget is November 17, 2011 at 6:00pm at the booster club.S.

Felton made the motion, 2nd by D. Golden to adjourn the meeting @ 8:10. All members voted without opposition.

Christine Austin, Secretary

