

## MLP Board Meeting Minutes

February 8, 2024 - 5:30 P.M.

**Present:** Roger Fuller, Larry Cervelli, Joe Gazillo, Jeff Frechette, Justin West, MLP Manager, Jack Henry, Associate MLP Manager

**Absent:** Kady von Schoeler

**Public Present:** None

### A. Approval of November 9, 2023 minutes

The meeting called to order at 5:32 p.m. on February 8, 2024. The minutes of the November 9, 2023 meeting were reviewed and amended. Mr. Fuller moved acceptance of the minutes of the November 9, 2023 meeting as amended. Mr. Gazillo seconded the motion.

Vote: Yea 4, Nay 0, Abstentions 0

### B. Financial Update

Mr. Henry presented the Operational Statement for the second quarter of FY2024. Mr. Cervelli inquired if there were a table of accounts. Mr. West replied that there was a Chart of Accounts that the MLP uses to code each transaction. Mr. Cervelli further inquired if there were a glossary of terms relating to the operation of the MLP. Mr. West said he would create one and post it on the MLP webpage.

### C. Review of the FY25 budget

Mr. West presented the FY2025 budget for the board's consideration. Mr. Fuller inquired if the budget could include past years' figures for ease of comparison. Mr. West replied that they would do so in future. Mr. West said that the backhaul figure had been changed to reflect the savings attendant on the RRR Central Cluster project. Mr. Cervelli opined that the cost savings and increased reliability should be highlighted at the Annual Town Meeting. A vote on the budget was postponed until later in the meeting to allow for discussion of a possible rate reduction.

### D. MLP Financial Objectives

Mr. West then presented the managers' proposed Financial Objectives for the consideration of the board. The managers felt that there should be an agreed-upon set of financial objectives to help focus fiscal policy. The board expressed approbation. Mr. Fuller asked if the \$500,000 projected to be in a Special Purpose Stabilization Fund would be used to replace equipment as it wore out or became obsolete and what the timeline might be. Mr. Frechette answered that the timeline on equipment might be 5-7 years. Mr. Gazillo enquired if that dollar amount would cover all the equipment or only a portion and if it took inflation into consideration. Mr. West replied that it was the best estimate available from Westfield Gas and Electric (WGE) for the amount of money required. Mr. Fuller inquired who was responsible for replacing the router and ONT in the homes. Mr. Henry replied that WGE owned the equipment in the homes.

Mr. Cervelli moved acceptance of the Financial Objectives and Mr. Gazillo seconded.  
 Vote: Yea 4, Nay 0, Abstentions 0. The Financial Objectives are attached to this document.

Mr. West said that any official document that is voted by the board will be posted on the MLP website.

#### E. Financial Overview

Mr. West and Mr. Henry presented a PowerPoint presentation of an overview of the financial condition of the MLP Enterprise Fund. They reviewed where the MLP is currently and where it is projected to be at the end of the fiscal year. Contained in the presentation were the FY2024 Certified MLP Retained Earnings (as of 11/23) totaling \$322,676. This includes deductions for transfer of \$24,000 to FY24 budget for RRR (Central Backhaul Cluster) final payment, transfer to Special Purpose Stabilization Fund of \$24,000, and transfer to the Town for debt payment of \$29,874. In addition, there will be FY2025 assumed transfers from Retained Earnings of \$79,944 (transfer to Special Purpose Stabilization Fund of \$26,000, transfer to Town for debt payment of \$29,874, and transfer to Town for missed WGE payment of \$24,070).

The estimated FY2025 Retained Earnings were calculated as follows:

FY2024 Retained Earnings	\$322,676
FY2024 Projected Net Earnings	\$179,723
Transfer to Special Purpose Stabilization Fund	(\$26,000)
Transfer to Town for debt payment	(\$29,874)
Transfer to Town for missed WGE payment	(\$24,070)
Estimated FY2025 Retained Earnings	\$422,455
FY2025 Special Purpose Stabilization Fund Balance -	\$50,000

#### F. Rate Adjustment

Owing to the accumulation of Retained Earnings, the managers proposed a rate reduction as follows:

Cost of \$10 Rate Reduction for Residential Subscribers (based on 522 subscribers – full year)	\$62,640
FY2024 Projected Net Earnings	\$179,723
FY2025 Projected Net Earnings	\$149,062
FY2025 Projected Net Earnings with \$10 rate reduction	\$86,422
Debt Payment (see Financial Objectives)	\$29,874
Stabilization Fund (see Financial Objectives)	\$26,000
 FY2025 Projected Net Retained Earnings with \$10 rate reduction and Financial Objectives met	 \$30,548

They also proposed a transfer of supplemental funds to the Special Purpose Stabilization Fund as follows:

FY2025 Retained Earnings	\$322,676
Transfer to Special Purpose Stabilization Fund	\$200,000
FY2025 Balance in Retained Earnings (out of a proposed \$100,000 balance)	\$122,676
FY2025 Special Purpose Stabilization Fund Balance (out of a proposed \$500,000 balance by 2031)	\$224,000

Mr. Fuller enquired whether the other Hilltown MLPs have discussed a rate reduction. Mr. Henry replied that there had been discussions with the other towns. There is a consensus among the other towns that they want to wait until they are confident that their earnings would support a rate reduction. Mr. Fuller enquired when the rate reduction would take effect. The managers replied that any rate reduction would take effect July 1 at the end of the fiscal year.

Mr. Cervelli opined that this would make a very germane presentation at the Annual Town Meeting. He continued that the MLP has been a “hugely successful startup, now stabilized. The timing was perfect because of the Federal Government’s legislative moves, we’re above our target for the number of subscribers and, by the way, because it’s been so carefully managed, we’ve not only added the backhaul at a great savings on the budget, but we can announce, as of July first, your monthly rate is going to be decreased by ten bucks.”

Mr. Fuller pointed out that the whole broadband project was “amazing.” The cost was half of what we expected to borrow with the grant money and the CAFII funds. “It can’t get better than that, really.” The board agreed and expressed approbation of the work of the managers and Mr. Fuller.

There was discussion of the proposal to increase the contribution to the Special Purpose Stabilization Fund. Mr. Fuller expressed approval of the concept and the rest of the board agreed that moving quickly to fully fund the Special Purpose Stabilization Fund is a sound fiscal policy.

There was additional discussion on the rate reduction proposal and any timing of the rate reduction. Mr. Fuller expressed the opinion that the rate reduction should occur after the implementation of the FY2025 budget. Mr. Gazillo agreed that having more information would be useful. Mr. West pointed out that if Town Meeting were to vote on the rate reduction, it would have to be voted at this meeting to allow for an article to be advanced. [Note: Subsequent to the February 8, 2024 board meeting, the MLP counsel informed the managers that Town Meeting does not have to vote any rate reduction – it is entirely a board decision.] If a vote on a rate reduction were to be delayed until the close of books on the FY2024 budget, the vote could occur at the August board meeting. Mr. Fuller proposed that the rate reduction be voted at this meeting so that it could be presented at the May 2024 Annual Town Meeting and so that the FY2025 budget would reflect the reduction in revenue subsequent on a reduction in the rate. Mr. Cervelli concurred. Mr. Fuller moved acceptance of a reduction of rate for residential subscribers for internet service from \$85 to \$75 effective July 1, 2024. The telephone rate (both with internet and phone only) and Tiers 1, 2, and 3 would remain the same. Mr. Frechette seconded the motion. Mr. West canvassed each member of the board to see if they had any reservations. Mr. Frechette expressed the opinion that competition would be coming, and the rate reduction would position us favorably in that eventuality. Vote: Yea 4, Nay 0, Abstentions 0.

#### G. Transfer of Funds to the Special Purpose Stabilization Fund

Mr. Cervelli then moved to transfer the sum of two-hundred thousand dollars (\$200,000) from the Chesterfield Broadband Networks Operations Retained Earnings to the Municipal Light Plant Equipment Special Purpose Stabilization Fund effective for fiscal year beginning on July 1, 2024. Mr. Fuller seconded the motion. Vote: Yea 4, Nay 0, Abstentions 0.

#### H. Contribution to Town Debt Service

Discussion ensued on the possibility of contributing to paying the Town debt for the construction of the broadband network. Mr. Fuller stated that the final numbers were not available for this meeting. It was decided that the issue should be tabled until Mr. Fuller had the final numbers. It was agreed that there would be a short board meeting to vote on the transfer of those funds.

#### I. Vote on FY2025 Budget

The managers presented the proposed FY2025 Operational Budget for the MLP. There was final discussion on the proposed FY2025 Operational Budget that reflected the change in rate. Mr. Fuller moved acceptance of the FY2025 budget. Mr. Gazillo seconded the motion. Vote: Yea 4, Nay 0, Abstentions 0.

Mr. Cervelli and Mr. Fuller complimented the managers' preparation of the data for the board's review.

#### J. Geo Cluster Status Report

Mr. West gave an update on the Central Cluster (RRR) initiative. The roll-out went smoothly. He reviewed the cost to the MLP for participating in the initiative. The cost to the MLP was \$73,260. In addition to the greatly increased reliability and redundancy, the reduced cost for backhaul should be around one-half of what it is currently.

#### K. CAFII Distribution

Mr. Henry presented an update on the CAFII distribution. He stated that it is difficult to track the CAFII because the numbers provided by the government change. This is what we know at this point.

- Distribution scheduled after FCC review and released in May 2024= \$2,954,196.07 (total 3-year award)
- 5.933% (Chesterfield's award percentage)
- \$175,973.16 (Chesterfield's 3-year distribution)
- Annual payment after 2024 of \$58544.27
- After 2024 there will only be 7 more distributions remaining. I don't have any direct knowledge of the loan but would assume there would be 9 years of payments remaining.
- Certification of deployment, to meet certain criteria, every quarter with new test locations (50) selected every two years. Free incentive month for each customer participating.
- Transitioning from Stamper device to Adtran 834 router testing.
- We would assume we should expect some delays in future distributions depending on the results of the testing.
- Annual testing expense of \$23,375 split by award value to each town which is estimated at \$1400 for Chesterfield.

Mr. West stated that, since the loan to build the broadband network is a Town obligation, the MLP is making voluntary contributions to assist in the payment of the debt.

#### L. Grant Opportunities

Mr. West then gave the board an update on hiring Susan Silva to prepare an executive summary of all the State and Federal grant opportunities for broadband to allow the board to make an informed decision as to whether to pursue such grant opportunities. He told the board that the report would be ready for presentation at the May board meeting.

#### M. Stipend Policy

Mr. Fuller and Mr. Gazillo then reported on their sub-committee regarding a compensation policy for the MLP manager. This is pursuant to an initiative by the managers to put the MLP on a professional basis to allow for a turn-key transition to any new manager. The managers felt that since the MLP is transitioning from volunteer staffing to compensated staffing, it would be prudent to establish a policy for determining an adequate salary that would allow for the hiring of a replacement manager should the need arise, provide for yearly performance review, and for increases in salary. Mr. Gazillo reported that the recommendation of the sub-committee was that the compensation was adequate based on other Hilltown MLP managers' salaries, and that there was no need for a formal policy but that the issues would be reviewed on an annual basis. Mr. Henry enquired if they had reviewed data from the Wired West towns. Mr. Gazillo replied in the negative. Mr. West pointed out that what the other MLP managers were making was not a good indicator of what a replacement MLP manager could be hired for. He also reminded the board that the policy would only pertain to the MLP manager, that the hiring and compensation of anyone working for the MLP was the province of the MLP manager. He also opined that it would be good to have a professional compensation policy in place. Mr. Cervelli concurred. He enquired if the position were hourly or salaried. Mr. Fuller answered that the MLP manager is appointed annually by the Select Board. Mr. West disagreed, stating that the MLP manager is appointed by the MLP board unless the Select Board is acting as the MLP board in the absence of such a board. Mr. Fuller requested that he send him any documentation regarding this issue. Mr. Cervelli stated that Mr. Fuller should present documentation to the board supporting his assertion. Mr. Fuller replied that he would.

#### N. Board Election

Mr. Fuller stated that the Select Board used to function as the MLP board, but once an MLP board was appointed, the Select Board has no jurisdiction over the (new) MLP board other than that they appoint the MLP board. He stated that he is the representative of the Select Board on the MLP board. Mr. Cervelli asked who the governing body of the MLP is. Discussion ensued on this point and whether the MLP board must be elected or appointed. Mr. West informed the board that Chapter 164, Section 55 of MGL states, "A town which has established or votes to establish a gas or electric plant may elect a municipal light board consisting of either three or five citizens of the town, each for a term of three years." Mr. Fuller reminded the board of the original process by which the Town voted to appoint an MLP board. Mr. Cervelli stated that it was imperative that the board get an adequate legal opinion from counsel on this matter. Mr. West said that he would ask Diedre Lawrence, legal counsel to the MLP, for clarification on whether the MLP board must be elected or can

be appointed, and who appoints the MLP manager, and who is the governing body of the MLP and would report back to the board. Mr. Fuller indicated that he would check on his end as well.

Mr. West returned briefly to the compensation policy asking what the board comprehended by its recommendation that the policy be reviewed every year. Mr. Gazillo clarified that the board would have to do more research. Mr. Fuller stated that the MLP manager was a stipend position, that it was never intended to be an hourly position. Mr. Cervelli mentioned that the Finance Committee had had trouble when comparing positions within the Hilltowns since the policies, hours, and responsibilities varied. He expressed the desire that the MLP board would be able to have a policy that would allow it to evaluate the manager on an annual basis in a formal way. He expressed the opinion that the work of the MLP was critically important and that it needed to be well done. Mr. Henry said that the operation of the MLP was a business with substantial revenue, budget, and responsibilities. Mr. Frechette stated that he believed that there should at least be a cost-of-living adjustment. Mr. Cervelli agreed. Mr. West reiterated that he was not asking for anything other than a policy that comprehended best practices.

#### O. ACP Issue

Mr. Henry updated the board on the expiration of the Affordability Connectivity Program (ACP) that helps lower income subscribers with affording internet. There are 26 subscribers participating, about half of whom are seniors. He asked the board what might be done to help those subscribers. Mr. Cervelli agreed that something needs to be done. Mr. Henry let the board know that the revenue figure in the FY2025 budget had been slightly reduced in anticipation of loss of revenue attendant on possible loss of ACP subscribers. Mr. Henry said he would continue to investigate options.

The managers expressed their appreciation of the work of the board in guiding the MLP.

Mr. Fuller moved adjournment, seconded by Mr. Cervelli. The meeting was adjourned at 7:39 p.m. by unanimous consent.



### **Broadband Chesterfield MLP Financial Objectives**

1. The Chesterfield Broadband MLP has a commitment to operate the MLP so as to provide all Chesterfield residents with access to affordable, reliable, high-speed internet without shifting operational costs to the taxpayers of Chesterfield
2. The Chesterfield Broadband MLP will attempt to maintain a sufficient ratio of income to expenses to allow for continued debt payment and contribution to any stabilization funds.
3. The Chesterfield Broadband MLP has the intention to help service the debt incurred by the Town for the construction of the broadband network. The Chesterfield Broadband MLP will cover the difference between the annual CAFII funding, and the annual loan obligation carried by the Town to the extent possible as determined by the MLP board.
4. The Chesterfield Broadband MLP will maintain a minimum of \$100,000 in MLP Retained Earnings.
5. The Chesterfield Broadband MLP will maintain a Municipal Light Plant Equipment Special Purpose Stabilization Fund. Our goal will be \$500,000 in available funds at the end of 10 years of MLP operations in fiscal year 2031. The Chesterfield Broadband MLP will fund this Special Purpose Stabilization Fund with the approval of the MLP board.
6. The Chesterfield Broadband MLP will budget at least \$30,000 annually to an Unforeseen Expense Account to cover unexpected costs.
7. Broadband subscriber rates will be evaluated on an annual basis with adjustments being approved by the MLP Board.
8. The Chesterfield Broadband MLP wishes subscriber rates to remain competitive and as low as possible consistent with sound fiscal operations.