

**GREATER NEW BEDFORD REGIONAL REFUSE MANAGEMENT DISTRICT
DISTRICT MEETING – January 29, 2014**

Final Minutes

The Greater New Bedford Regional Refuse Management District Committee held a publicly posted meeting on Wednesday, January 29, 2014 at 3:30 PM at the Dartmouth Town Hall, Room 305, 400 Slocum Road, Dartmouth, MA.

District Committee Members in attendance: Rosemary Tierney, Chairperson; Isaac Graves, Nathalie Dias, Christine LeBlanc and Jeff King. Stephen Mitchell was not in attendance.

Also present: Scott Alfonse, Executive Director; and Cynthia Cammarata, Secretary. Also in attendance was Chris Davies, Joshua Paul and Dory Huard; all of Bartholomew & Co., Inc. and John Haran of the Dartmouth Finance Board.

1. Call to Order

Chairperson Tierney called the meeting to order at 3:30 PM.

2. Salute to the Flag

All in attendance stood to salute the Flag.

3. Legal Notices

Chairperson Tierney asked for a motion to accept that the Legal Notices were posted timely both in New Bedford and Dartmouth. Motion made by Mrs. Dias, seconded by Ms. LeBlanc. Voted 5-0.

4. Review and Approve Warrant

Chairperson Tierney called for a motion to review and approve the Warrant. Motion made by Mrs. Dias, seconded by Mr. Graves. Voted 5-0.

5. New Business

a. Presentation by Bartholomew & Co., Inc.

Chairperson Tierney asked for a motion to receive a presentation from the Investment consultants from Bartholomew & Company.

Motion made by Mr. Graves, seconded by Mrs. Dias.

Chairperson Tierney turned the meeting over to the consultants from Bartholomew and Company. Mr. Davies introduced himself and his colleagues to the Board. Mr. Davies has been taking care of GNBRRMD's investments for the last 14 years; Mr. Paul and Ms. Huard are overseeing the OPEB investments.

Mr. Mitchell entered.

Mr. Paul referred to the two Portfolio packets that were distributed. The OPEB account has a balance of \$2,136,758.92 as of 12/31/13. Mr. Paul explained that the stock market (a higher risk market) did very well last year; the bond market did not do well (conservative market). This particular portfolio has a mix of both markets; which resulted in a gain of 6.66%.

Mr. King and Mr. Paul discussed the allocation of asset investment and the goal that the District used in the OPEB model of 4%, and how conservative the District would like to be with respect to the OPEB investments.

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Mr. Paul explained that while the stock market did very well last year; he doesn't anticipate that will happen this year. The corporate balance sheets looked good because management cut costs and employees; however other indicators haven't gotten better; i.e. employment and wages. Mr. Paul explained that what we can expect to see is a flatter line overtime – in a good year it may look like the portfolio underperformed; conversely in a bad year it may not be as bad as the average. Mr. King asked how we are positioned for the future. Mr. Paul explained that Bond market will be gradual. Mr. Paul's concern on the stock side is that earnings really haven't increased. He referred to the pie chart illustrating the asset allocations and stated that at this time he feels that the District's OPEB account is appropriately funded at this time; and is open to feedback.

In response to Mr. Mitchell's inquiry, Mr. Paul informed the Board that the rates of return are net of management expenses. In response to Mr. Alfonse's questions Mr. Paul explained that the fee is 55 basis points on the OPEB and less than 20 on the other portfolio. He said that the structure of the two portfolios are different; which is why that particular fee is not the same.

Mr. Alfonse questioned why the percentage in alternatives is higher than the target of 30% which was recommended at our last meeting. Mr. Paul explained that although Morning Star classifies some investments such as Western Asset an alternative, Bartholomew actually considers it a core bond.

Mr. King asked if Bartholomew ever considered having more than 1% of the portfolio in cash at certain times. Mr. Paul said that all options are on the table... it would be a possibility, depending on the markets. Holding cash is zero risk with a small return. Alternatives are a good option to holding cash. The goal is to get to the target.

Ms. Huard commented that initially the OPEB unfunded liability was around \$5 million in 2011, and asked what has dropped that number down. Mr. Alfonse explained that the OPEB goal is a moving target – many assumptions have been changed. In addition to the discount rate, things like the age that a person would be when they retire, who would be eligible for retirement also influence the results. Mr. Alfonse explained that we are a bit at a disadvantage because we are not always sure how the assumptions effect the liability. He informed the group that the District makes contributions to the OPEB trust every year. Mr. Alfonse asked Ms. Huard her opinion on the Abrahams program that the District is using. She said that many small communities are using the program; as the cost of and actuarial study could be high – around \$7,000. Ms. Huard commented that the State is trying to make changes to this health insurance benefit, so she doesn't think we're anywhere near knowing what this OPEB liability is going to be. Although HR Bill 59 (which changes the conditions for retirement) died in session the State will probably come up with changes. Mr. Alfonse stated that the District wants to be sure that the member communities are taken care of as well when the District ceases to exist.

Mr. Davies referred to the other portfolio which has grown to \$13 million and is strictly invested in legal list securities. Right now he is not spending out too far; nothing longer than five years. The current yield is 2.36; down from above 10 in 2008; yield is continuing to move down. There are five different accounts: Equipment Reserve, Phase 2, Closure, Post Closure, and Environmental Contingency. Right now Phase 2 has \$1.7 million in cash that is going towards construction; so that has brought the yield down.

Mr. Mitchell asked if these are managed accounts; if there are fees associated with activity in the account. Mr. Davies said there is not. Mr. Mitchell asked Mr. Davies about his thought process in purchasing class A shares and class C shares. Mr. Davies explained that they usually purchase class A shares because they are purchasing such a large amount; so that knocks the price down.

Mr. Paul clarified that there are multiple ways to buy a mutual fund. Class A you usually pay an "up front" charge to get in – those funds have the cheapest expenses every year thereafter. B shares are not offered much anymore – you don't pay to get in, but you are paying every single year for 7 – 9 years. C shares are a mix. You pay nothing to get in, and there are fees every single year but the fees never go away. Mr. Mitchell asked if they ever considered purchasing a C share to test the waters to see if that is a fund you would want to stay with thus avoiding the full charge up front. Mr. Paul said that generally you don't see a fund change dramatically in the first year. Typically when they are buying something they are looking secularly at the investments of three to five years; over that time if the cost of the A share is low enough, the cost of owning the A share would still be less than that of the B's or C's. We are not using these as a short term trade. Mr. Davies

added that to date we have never sold a mutual fund.

Mr. Paul mentioned that over the life of the District's investments that the yield is quite good. He explained that one thing to be aware of going forward is that Vanguard is very good at managing money against the benchmark. They do very well in an upside economy. The problem is that the reverse is true in a sinking economy. Mr. Paul expressed concern for the economy looking forward. While the dropping unemployment rate looks good, it doesn't consider those folks who are still unemployed but no longer collecting unemployment. Earnings have gone up but not for the right reasons.

Ms. Huard asked if the Board would like to meet again in six months or sooner. All agreed on six months, unless something happens. Mr. King suggested that Bartholomew contact the District if there is a big change. Mr. Paul assured the Board that communication is open.

Chairperson Tierney asked for a motion to accept the report and place it on file. Motion made by Mrs. Dias, seconded by Mr. Mitchell. Voted 6-0.

b. Phase 2 Design Proposal

Chairperson Tierney asked for a motion to hear the Phase 2 Design Proposal from Brown and Caldwell. Motion made by Mrs. Dias, seconded by Mr. King.

Mr. Alfonse stated that he and Ms. LeBlanc met with Brown and Caldwell, where they discussed the allocation of hours by senior personnel. They were able to negotiate more hours by junior personnel who are less costly, bringing the cost down from \$76,060 to \$69,885. Brown and Caldwell made one revision to include the delineation of wetlands in the vicinity of the proposed Phase 1 storm water discharge.

Mr. Alfonse addressed two issues that were brought up at the last meeting:
The schedule – the schedule is attached in a letter and will bring us to the end of 2014.
Associated project charges – Brown and Caldwell uses an hourly rate for computer charges.

Chairperson Tierney asked for a vote to accept the Phase 2 Design Proposal. Voted 6-0.

c. Revised Reconciliation.

Chairperson Tierney asked for a motion to approve the revised FY14 reconciliation. Motion made by Mr. Graves, seconded by Mr. Mitchell.

Chair Tierney recognized Mr. Alfonse, who told the Board that this is a correction to the reconciliation voted at an earlier meeting. The numbers haven't been made public yet. The assessment letters will be going out to the City and Town shortly.

Chairperson Tierney asked vote to approve the Reconciliation. Voted 6-0.

d. Update on Lopes Cranberry Bog, Quanapoag Rd.

Chairperson Tierney asked for a motion to hear the update on the Lopes Cranberry Bog. Motion made by Mr. Graves, seconded by Ms. LeBlanc.

Mr. Alfonse gave a history of the Lopes Bog. The District purchased the site in 2001 for \$550,000; 10 acres of it is an active cranberry bog. The District has had an agreement with Decas to sell the cranberries at the market price. There have been a couple of different arrangements to farm the bog. Initially, in response to and RFP, Lafontaine of Pine Grove cranberries operated the bog. With permission from the Board he subsequently assigned the operation to SK Wainio in 2007. Mike Wainio notified the District last week that he does not wish to continue to operate the bog under the current license, which was set to renew on Friday. He was supposed to notify the District 90 days in advance; he told us last week and notified us in writing today. The primary reason is that the market for cranberries is pretty bad; current selling price is expected to be \$8 per barrel (down from \$50 - \$60 per barrel). The contract agreement compensates SK Wainio 20% of gross

cranberry revenue, which isn't enough to cover their costs.

Initially, Mr. Wainio wanted to change the contract terms, however, the District cannot do that since the services were obtained with an RFP. Mr. Alfonse consulted with District counsel, whose recommendation is that we accept the termination from SK Wainio and that the District enter into a one year agreement with him. This would not need to go out to bid, as the price is too low given current conditions. This would give the District some time to explore our options. We can't let the bog go, as it would be too costly to replant. The District has another bog operator whose contract goes out to 2016, with a compensation rate of 25% of gross cranberry revenue.

Mr. Alfonse outlined the capital improvements needed at the Lopes Bog:

- New sprinkler heads. The bog currently has copper sprinkler heads – plastic are recommended due to vandalism. Mr. Wainio received a grant to replace them for a portion of the supplies, but not for the labor. If the District purchases the supplies, Mr. Wainio would install the system if he was allowed to retain the grant proceeds (which is less than \$6,000).
- Lift pump – this was purchased a few years ago, but the vendor still has it as it needs a new 10' by 12' shed. Mr. Wainio will build the shed if the District supplied that materials.

Mr. Alfonse said there may be other expenses, unfortunately coming at a time when the market is low, but he pointed out that the District has made money in the past.

Chairperson Tierney asked vote to follow the recommendation of District Counsel. Voted 6-0.

6. Public Comment

John Haran, from the Dartmouth Finance Board, had recently met with Neil Hennessey, a professor from Umass Dartmouth who is interested in working with the District in monitoring the wells through his graduate students. They have all the computers and resources to analyze the data. Mr. Alfonse said that currently contract with a consultant who collects the samples which have to be analyzed by a Massachusetts State certified laboratory. The Data is then provided to the Massachusetts Department of Environmental Protection on a quarterly basis.

This District is intending to put this service out to bid in the future.

Ms. LeBlanc pointed out that the students would need to be OSHA certified.

Mr. Alfonse discussed the possibility of utilizing students in some other ways such as collecting landfill gas data.

Chairperson Tierney asked for a vote to take this under advisement. Voted 6-0.

7. Set dates for next District Committee Meeting

The date for the next District Committee is to be determined at a later date.

8. Adjourn

Motion to adjourn made by Mr. Graves, seconded by Mrs. Dias. Voted 6-0. The meeting was adjourned at approximately 5:05 PM.