

**Finance Committee Meeting Minutes  
July 21st, 2015  
Town Hall  
Sturbridge, MA**

**Meeting called to order at 7:00 PM with the following committee members present; Chair Kathleen Neal (KN), Vice Chair Kevin Smith (KS), Michael Serio (MS), Laurance Morrison (LM), Clerk Joni Light (JL), Robert Jepson (RJ), and Leah Boutelle (as recording clerk). Beth Greenblatt (BG), the Managing Director of Beacon Integrated Solutions and the contracted intermediary between the town of Sturbridge and prospective alternative energy companies present at the request of the Finance Committee for clarification of the NextSun proposal. Jim Zavistosky, town resident of 127 Mashapaug Rd. also present for public access.**

**NextSun Proposal Interview**

KN reads the agenda for the meeting as: review of the NextSun proposal, approval of meeting minutes for 7-14-2015, old business, new business and public access. KN introduces BG and reads over the Town Administrator's draft of Article 1 (see Appendix A) for the Board of Selectman's (BOS) Special Town Meeting (STM) scheduled on July 27, 2015, as amended (see Appendix B).

KS poses the question, what does the "floor rate" of \$0.08/KWH represent as a base amount?

BG explains the process by which the town is credited with net metering. Net metering is virtual in that occurs somewhere else, in the case of NextSun's proposal to Sturbridge, the Shirley Landfill. One hundred percent of the energy that is produced at the NextSun site in Shirley will go into the National Grid. National Grid then measures the energy that is fed in from the site and gives it a value. Sturbridge is now credited with the agreed upon percentage of this value (25%), and the remaining energy will be given to NextSun (75%). The "floor rate" of \$0.08/KWH represents the value at which Sturbridge will receive no net metering credit. BG asserts that her analysis is conservative and stresses the situational truth that she is contracted to negotiate on our behalf as she explains that for the value to fall to or below her estimate of \$0.08 is extremely unlikely due to the various costs and components of net metering. In essence she asserts that through the costs of transmission, distribution, tariff and basic service charge, there is no way that the value of a KWH could reach or go below \$0.08.

KS asks about the risks of the state changing their energy credit rate of \$0.168.

BG states that there's no guarantee that legislation won't go back on their net metering cap allocation and investment tariff, but that the town of Sturbridge is insulated through the program; if there is no net metering, there is nothing to "buy" so the contract terminates.

KS asks what percent of KWH is generated per year.

BG asserts that net metering tariff rate is based on multiple components, some change, some are less likely to change. When utility goes in for a rate change, it's an expensive and significant process, therefore it's less likely to change. Commodity rates change; electric is dependent on natural gas, and that's why electric goes up in winter. The town will see (conservative rate) energy costs go up and down over twenty years but base rate doesn't go down. BG emphasizes that there is a "squaring of benefits" between Sturbridge and NextSun if they don't meet their KWH generation obligations they will owe Sturbridge the difference. BG anticipates NextSun is highly motivated to generate KWH to generate enough revenue to meet tax and contract obligations, so she doesn't see rate changes as a risk factor for the agreement.

KS asks if NextSun only generates 60% of their goal for generation, are they still committed to the agreed upon credit, or only 60% of what they agreed to?

BG states that if they only generate 80% of what they projected, NextSun still credits Sturbridge with 25% net metering credit, but if they generate less benefit, they will owe the town the KWH necessary to compensate for the discrepancy.

KN asks if the amount the NextSun project will generate is anticipated to decrease over the twenty-year contract due to the degradation of equipment.

BG states that there is an estimated 0.05% degeneration anticipated per year, but that this is accounted for in the analysis and contract.

KN asks if the town receives less benefit due to this.

BG states that there will be less KWH but the rate itself may fluctuate.

KS asks if twenty years is a common term for such a contract. He indicates that there may be a serious change in the cost of electricity throughout the course of such a contract.

BG states that utility assets are fed into the grid and that twenty years is a typical financing term for the equipment needed for the project. The Sturbridge Town Administrator's (Leon Gaumont) urgency to close the deal with NextSun is due to the change in federal incentives and changes in market opportunity. As of 2016, the tax credit for such a project will go from the current 30% to 10%, which changes the ultimate costs of the project. Also NextSun has already received their state net metering cap allocation, meaning the project can go forward without any further approval needed legislatively.

LM asks if the contract has an "out clause", or a way for the town to be freed from its contractual obligation.

BG provides that the contract between NextSun, the town of Sturbridge, and National Grid is under state law, but that there are several "exit ramps"; default provisions, and if the economic benefit dramatically decreases, the town could pull out of its contract.

LM asks what will happen if NextSun signs on another municipality in place of Sturbridge.

BG asserts that the contract will then be assigned to that municipality. NextSun is short term borrowing from banks and selling to long term investors; this creates a partnership in tax equity. They are balancing finance through short term borrowing.

LM asks what will happen if there is a new owner, and if NextSun's contract obligation would transfer.

BG concedes that the contract will remain even through new ownership.

KN asks what the town of Sturbridge would save per year with both the NextSun and Blue Wave projects.

BG looked at annual electricity payments to a third party. She states that NGRID will be crediting Sturbridge and she will be "applying a discount." With NextSun alone she projects \$1,500,000.00 in credits.

KN observes that this is \$75,000.00 per year.

RJ adds that 2 million over two years between both contracts is a substantial amount.

KN looked at Sturbridge budget for FY16 and points out that there is \$150,000.00 for electricity, and \$430,000.00 for water and sewer.

BG the net metering credit for Blue Wave alone is \$0.13/KWH resulting in a projected 1.9 million over twenty years including their tax allocation to the town, but net metering is higher, therefore the economic benefit to the town could be \$3,500,000.00 to \$4,000,000.00 between both projects over twenty years.

KN agrees that this is a substantial amount.

KS inquires as to if Sturbridge is currently receiving credits.

BG states that we are receiving a small amount of credits from the solar project in Monson. Blue Wave has not yet started our credit, but the contracts will overlap with one another. Blue Wave is moving forward and asking for updates, as they encountered contractor challenges with each site. The project manager has reached out to The Planning Board about the site at Hare Rd. and expects to be completed building by the end of September. Another site encountered restriction

but expects to be completed by the end of October. Both sites received cap allocations, the maximum benefit of the cap is currently \$0.1688, but it will improve.

JL seeks to clarify if the share of NextSun of 25%/75%, is the same for Blue Wave.

BG Blue Wave has a fixed rate of \$0.09 per year with an escalator of 1.5% per year.

JL asks if this contract is standard or if it was negotiated.

BG responds that when the town engaged to find opportunities that a 25% share is the high side of the market. There are 25 year agreements for 20%, some have floors some do not. The floor rates (rate at which there are no net metering credits) could be too high, where you can hit them. This contract is certainly not on the low side of the market. Town meeting approval was needed at the initial proposal period, and NextSun is absolutely unwilling to do a three-year contract and vote for a 17-year extension. To encourage us to get contract signed they increased the offer to 30% and that was in January 2015, they rescinded the additional 5% because the BOS has not voted on the contract due to an omission on the agenda at the STM the NextSun article was supposed to have been voted on. BG confirms with NextSun to make sure they have site control and fully executed contract. BG's firm represented Shirley in leasing out their land. BG knew NextSun has everything in order. The deal with NextSun is a better than market deal, that's why she brought it to the town of Sturbridge.

KN asks the Committee for a recommendation on approving the article to move to STM on July 27<sup>th</sup>, 2015.

*KS reads through Article 1, as amended, makes motion to approve article, RJ seconds.*

JL KS and BG briefly revisit terms of the agreement.

BG asserts that given the transition, the STM needs to authorize a twenty-year agreement.

JL thinks the language of the article should be discussed.

BG reassures that the flexibility implied by a three-year term and resigning a contract for another 17 years will not be possible.

KS will not give BOS authorization to enter into any other agreement without the Finance Committee's input, therefore the article will be worded specific to NextSun's proposal. (See proposed amended Article 1, Appendix B)

*Motion to approve Article 1 as amended accepted 6-0-0.*

BG exits.

### **Approval of Minutes**

Language and specifications are discussed, noted, *motion to approve amended minutes accepted 4-0-2, absentees abstaining.*

### **No Reserve Fund Transfer or New Business**

#### **Old Business**

*KS makes motion to appoint JL the Sturbridge Tourist Association member, RJ seconds, motion accepted 6-0-0.*

KN will notify the TA of JL's recommendation for appointment.

*KS makes motion to appoint MS as Finance Committee Personnel Classification Board member, RJ seconds, motion accepted 6-0-0.*

JL observes that her vote on the Finance Committee is more important from the town's perspective in that she only votes on budgets in STA and that if she abstains during the STA vote, she may have the opportunity to vote through the Finance Committee.

KS points out that her vote affects the FY for a new year, and that nothing from STA from her appointment has been authorized yet through the Finance Committee.

KN seeks to discuss the Memorandum of Findings (MOF) for FY15. (see Appendix C)

KS asks for questions or comments.

KN notes that it mimics previous years.

LM commends KS for his diligence in producing the MOF.

KS stated that it includes issues they have discussed in meetings but haven't risen to the level of notifying the community, and that the taxpayers should see the issues that came out of FY15.

*RJ makes motion to accept the MOF, LM seconds, motion passes 6-0-0.*

### **Public Access**

JZ wishes to bring to the Finance Committee's attention that there is a dysfunction of attendance between municipal political entities because of one member being obligated to both entities. The dysfunction results in lack of a quorum, thus canceling the meeting. He offers that there should be a substitute policy, where there is a member who can fill in that isn't subject to the same stipulation in membership as the member they may substitute for.

JL inquires as to if there is a clause written into the bylaws regarding the seat in discussion, to see if there is some sort of substitute allowed.

KS asserts that there is only one person appointed to each chair.

JZ states that a committee should not fail to have a quorum. The reparation may be that a non-voting member could be appointed to voting status if there are not enough voting members present.

KN states that the problem is when one member is on two committees.

KS states that the bylaws indicate that one of the seats for the STA shall be from BOS and one from the Fin Com, Planning Board or Recreation Committee.

JL asks if it says anything about an appointed representative.

JZ continues that there should be some mechanism present in such a dysfunction so that lack of a quorum does not cause meetings to fail.

LM states that there are no members on the Betterment Committee, only representatives from other committees and inquires if there should be a substitute for the substitute voting member.

JZ asserts that statistical probability of two members being absent is much less significant than one member being absent, and consequently having to cancel a meeting due to not having any substitute for the absentee.

JL maintains that if you are appointed to a committee a certain level of commitment must coincide.

RJ concedes this notion and holds that if the committee or association isn't working due to absenteeism, then the BOS should rethink their appointment.

JZ maintains that it is good sense to have a substitute to ensure meetings don't fail due to lack of quorum.

JL encourages JZ to go to August 14<sup>th</sup> STA meeting, and that there is a new member, and explains that the BOS chair was too busy in the past but current members are committed to being there in FY16.

JZ hopes that this dysfunction for STA is resolved. Suggests that bylaws should allow a liaison and that it seems wise to have an alternate in the case of emergency. He maintains that the

bylaws are too frigid and that someone from the community could benefit the STA without fitting such limiting criteria.

KS offers that the bylaw would have to be changed to allow this to happen.

JZ holds that searching for a specific person who fits the bylaw is restricting the STA from having a chair that is well suited to the role.

KS maintains that the bylaws are there to allow for fairness and diversity in distribution of voting positions.

JZ offers that it is possible to have an interested and dynamic person but the person isn't allowed to participate in policy because of a limiting occupation.

LM sees the bylaw as objective.

JZ states that the bylaw limits appointments to the association in that the requirements cause the STA to entice members instead of members coming forward voluntarily.

*RJ makes motion to adjourn MS seconds, motion accepted 6-0-0 at 8:41 PM.*

## Appendix A

**TOWN OF STURBRIDGE  
SPECIAL TOWN MEETING WARRANT**



**STURBRIDGE TOWN HALL, 308 MAIN STREET  
MONDAY, JULY 27, 2015 @ 7:00 P.M.**

**ARTICLE 1  
AUTHORIZATION TO ENTER INTO ENERGY AGREEMENT  
FOR MORE THAN 3 YEARS**

To see if the Town will vote to authorize the Board of Selectmen to enter into an agreement with NextSun or another similar energy company for the purchase of net metering credits generated by a solar renewable energy facility with a term of to 20 years (from the date of commercial operation of such facility) on such terms and conditions, and for such consideration, as the Board of Selectmen deems in the best interest of the Town, and to authorize the Board of Selectmen to take such actions and execute such other instruments and agreements as may be necessary or appropriate to implement and administer such agreement; or to act in relation thereto.

Sponsor: Board of Selectmen

**RECOMMENDATION OF THE FINANCE COMMITTEE:**

*Pending*

**RECOMMENDATION OF THE BOARD OF SELECTMEN:**

*That the Town vote to approve the article as written.*

*Summary: This article was erroneously excluded from the Annual Town Meeting in June. The Board of Selectmen are seeking authorization to enter into an extended agreement of up to 20 years with an energy company to purchase 'net metering credits', essentially providing a financial benefit to the Town estimated to be in excess of \$1 million over the term of the extended agreement. Town Meeting must approve any agreements longer than 3 years per Mass. General Law.*

**Appendix B**

From: Kevin Smith

To: Finance Committee

Colleagues,

I have attached the Memo of Findings for us to discuss.

As we discussed on Thursday, I also include the proposed language of the FINCOM recommendation for the STM warrant article:

*That the Town vote to authorize the Board of Selectmen to enter into an agreement with NextSun for the purchase of net metering credits generated by a solar renewable energy facility for a term of three years but not to exceed twenty years (from the date of commercial operation of such facility) on such terms and conditions, and for such consideration, as the Board of Selectmen deems in the best interest of the Town, and to authorize the Board of Selectmen to take such actions and execute such other instruments and agreements as may be necessary or appropriate to implement and administer such agreement.*

Looking forward to seeing all of you on Tuesday.

Have a great weekend!



## Appendix C

**To:** Board of Selectmen, Town Administrator, Finance Director

**From:** Finance Committee

**Date:** July 30, 2015

**Subject:** Memorandum of Findings from the FY 2016 Budget Process

As a result of the FY 2016 budget process, the Finance Committee has become aware of several issues and/or questions we would like to bring to the attention of the Town Administrator, Finance Director and Board of Selectmen so that each can be addressed prior to beginning the FY 2017 budget process.

As always, we ask you to consider the issues we highlight within our Report to the townspeople. Issues we highlight this year include:

- Updating the fiscal policies to retain 12 – 15% of the Town’s operating budget between free cash and the Stabilization Fund by FY 2021
- Linking quality of community life to business opportunity (A topic we have written about in many of our reports to the community.)
- Growing need for a facilities manager
- Renovate or new: What to do with the Senior Center?
- Oversight of Trails and Open Space Committees

Here are additional items we think warrant a closer examination:

### **Organizational and personnel related:**

- The Town offices located in the Center Office Building should have the support staff work hours structured so there is always someone physically present to answer questions from the public for the entire business day.
- Consider reverting the Building Commissioner’s hours to full-time in recognition of the additional work load.
- Consider contracting a facilities management firm to conduct periodic building assessments and reporting any needs back to the Town.
- Consider contracting a facilities management firm to oversee the Town Buildings and eliminate the expenditure of department head’s working hours on building maintenance activities.

### **Expense & budget related:**

- Committees, boards and department heads should be made aware of trust fund and gift accounts that could be used for operational or other purposes.



- The budget package presented to the Finance Committee should include these additional items: recommendations and minutes of the Personnel Classification Committee; the Road Maintenance plan; a detailed listing of each expenditure from each of the Revolving Funds; the compensation matrix for the 10-town comparison plus step-and-grade scale.

**General topics:**

- Should the Town consider taking the land that divides the Riverlands parcel via eminent domain?
- The Memorandum of Understanding between the Town and Sturbridge Co-Operative Nursery School should be revised and updated.
- The Town Administrator and/or Board of Selectmen should meet quarterly with all boards and committees appointed under their aegis to ensure those boards and committees are functioning properly and accomplishing their goals.
- What is the review process for adding crosswalks and/or street lights to Town-owned roads?

If there are any questions or need for further detail, please let the Chair know. Otherwise, the Finance Committee looks forward to discussing each of these topics or receiving your written response.

Respectfully,

Kathleen Neal

Chair  
Finance Committee