

Board of Water Commissioners & Finance Committee

Meeting Agenda

Monday, January 22, 2024 @ 7:00 PM

AGENDA

- Comments from the public
- Approve minutes from the meetings of 12/18 and 1/8
- Appoint one Commissioner to sign warrants while conducting meetings virtually

OLD BUSINESS:

- Per- and Polyfluoroalkyl Substances (PFAS)
 - Current sample data, if available
 - Discussion of Additional PFAS Upgrades
- Review Draft Budget for FY '25 and proposed articles for 2024 Annual District Meeting Warrant
- Discussion of rate increase to support FY'25 Budget

NEW BUSINESS:

- Update on Investments from Boston Financial
- 2nd Quarter Financial Update
- Authorize Reserve Fund Transfer for 3 months of NAWTP PFAS Lease
- Review Draft Financial Policies

EXECUTIVE SESSION: -- To consider the purchase, exchange, lease of real property as an open meeting may have a detrimental effect on the negotiating position of the District.

Any agenda item(s) which did not come to the attention of the Board of Water Commissioners 48 hours prior to this meeting and were not reasonably anticipated.

In attendance:

Present at Tonight's Meeting:

Commissioners: Erika Amir Lin (Chair), Barry Rosen, Stephen Stuntz

District Manager: Matthew Mostoller

District Treasurer: Christine McCarthy

District Counsel: Mary Bassett, Spencer Holland

Environmental Manager: Alexandra Wahlstrom

Finance Committee: Bill Guthlein, Ron Parenti, John Petersen

Members of the Public: Kim Kastens, Bill Mullin, Tim Gray, Dana Clark, Carolyn Kiely

START OF MINUTES

Ms. Amir Lin opened the meeting of the Acton Water District Board of Commissioners at 7:01.

Mr. Parenti opened the meeting of the Acton Water District Finance Committee at 7:03.

Update on Investments from Boston Financial

Ms. Amir Lin took the update from Boston Financial out of order to be mindful of our guest's time.

Mr. Tim Gray and Mr. Dana Clark from Boston Financial presented a summary of the District's portfolio performance for 2023. Mr. Gray first covered the highlights of the year, noting that 2023 was stronger than they expected it to be. Of this high-level summary Mr. Gray covered the slowing of inflation and the strength of the fourth quarter performance. Mr. Gray expressed that they are cautiously optimistic in looking to the future based off 2023's performance.

After this high-level summary, Mr. Gray then reviewed the individual portfolio, delving into the specifics of Acton Water's OPEB Trust Fund and the Grace Fund. Mr. Gray noted some rebalancing both funds experienced during the year but noted the consolidated growth of both funds by years end. The YTD return on the OPEB trust was 18.5% net of fees and the YTD return on the Grace fund was 16.7% net of fees.

Mr. Guthlein asked Mr. Gray about one company in the portfolio. Mr. Gray elaborated on the background of that specific software company, and then reviewed their thinking behind that specific selection and similar selections in the portfolio.

Mr. Gray then reviewed the withdrawals from the portfolio last year, the portfolio's Bonds and their maturity rate. Mr. Gray summarized the performance of the portfolio's international and domestic stocks, noting the strong performance from both and the role consolidation in the market had on this growth. Mr. Gray informed the board that their portfolio is performing many basis points ahead of the appropriate benchmarks. Lastly, Mr. Gray reviewed several individual holdings in both the Grace Fund and the Trust Fund, and their growth, before opening the presentation to questions.

Mr. Petersen asked Mr. Gray about the annual turnover rate, and what is considered average for the firm. Mr. Gray informed Mr. Petersen that the firm's investment thesis is to see how holdings will play out over years, but on average most years the turnover rate is between 13-18%. The District's turnover rate for this year was around 18% which they consider average.

Mr. Petersen then asked why the OPEB Fund does not have a larger equity position, and if its current equity position is similar to that of similar funds for other clients. Mr. Gray responded that the short answer is mixed, and that a 60/40 ratio is considered conservative, and that this allocation has been in place for several years now. Mr. Gray informed Mr. Petersen that this ratio could be amended given a directive from the Finance Committee, and that other clients with similar accounts may have equity of around 65 or 70. Mr. Petersen explained that in the next year or two he would like to see it closer to 70%.

Mr. Guthlein echoed Mr. Petersen's sentiments on equity of the OPEB Fund, then asked Mr. Gray about the percentage of BBB grade Bonds in the OPEB Fund and if the District is receiving a

premium on these Bonds. Mr. Gray stated the District is receiving a couple hundred basis points on the BBB bonds. Mr. Gray then explained that most of the bonds in that fund are grade A, but around 30% are B grade. He then provided some context on the changes in the bond market to explain this percentage but noted that those B bonds are not from companies that would cause concern.

The Board then had a brief discussion with Mr. Gray about Boston Financial's processes. Boston Financial monitors client portfolios and meets almost daily to discuss performance. If they determine things are trending the wrong way, they will exit the position. The board expressed their approval of how the portfolio stands, they then briefly discussed any limits that may exist on their portfolio's kind of investments. The Board thanked Mr. Gray for his time and he departed the meeting.

Comments from the public

None at this time.

Approve minutes from the meetings of 12/18 and 1/8

Mr. Stuntz motioned to approve the minutes of December 18, 2023. Mr. Rosen seconded, and the motion was unanimously approved via a roll call vote, Mr. Stuntz, Mr. Rosen, Ms. Amir Lin.

Mr. Rosen motioned to approve the minutes of January 8, 2024. Mr. Stuntz seconded the motion, and it was unanimously approved via a roll call vote, Mr. Rosen, Mr. Stuntz, Ms. Amir Lin.

Appoint one Commissioner to sign warrants while conducting meetings virtually

Mr. Rosen motioned to appoint Ms. Amir Lin to sign warrants until the next regularly scheduled meeting. Mr. Stuntz seconded the motion, and it was unanimously approved via a roll call vote, Mr. Stuntz, Mr. Rosen, Ms. Amir Lin.

OLD BUSINESS:

Per- and Polyfluoroalkyl Substances (PFAS)

Current sample data, if available

Mr. Mostoller informed the Board that there was no new sample data available at this time. Sampling for Center Acton will be conducted this week, and they are awaiting lab results from North and South Acton. Both Center and South Acton are in operation.

Discussion of Additional PFAS Upgrades

Mr. Mostoller informed the Board that they are working to keep the Center and South Acton projects moving on schedule. They are currently working to pre-bid the filter vessels. At this point in time they have received the approval of the SRF program to proceed with that pre-bid process, however they have not yet received the formal technical approval from MassDEP. MassDEP did sign off on the pilot reports with the engineers and raised no issues of concern with our proposed approach to treatment. At this point in time, they would like to move forward with the bid process, however there is some risk in moving forward as the formal approval from all state bodies is not yet in hand. Mr. Mostoller commented that he is in favor of moving forward to keep the project on time. Because this pre-bid process includes no exchange of funds for several months, he believes it is of low risk.

After a brief discussion Ms. Amir Lin found the Board to be in agreement with Mr. Mostoller's recommendation.

Mr. Rosen asked if the bid is going to be unrestricted. Mr. Mostoller responded that the way the bid is likely to be written, there are likely at least three companies that would qualify.

Regarding the North Acton project, the general contractor is still requesting a significant time extension. They are in disagreement on process and timeline as the GC still believes they need two months after every piece of equipment is on site. There is no clear resolution at this time, but no change orders regarding timeline have been granted.

Mr. Rosen asked if the contract has been violated. Mr. Mostoller responded that the original substantial completion date set in the contract was January 29th. Mr. Mostoller said they are working with the engineers around this issue to expedite other maintenance activities.

The Board and Mr. Mostoller then briefly discussed which equipment still needs to be delivered, and the expected delivery dates. The Board asked Mr. Mostoller if he believes the current contractor will bid on their other projects, Mr. Mostoller responded he is unsure but assumes they will not.

Mr. Mostoller and the Board then discussed the pre-bid process for the VFD's, their communication with the SRF program on that, and the effect of Acton's Stretch Energy Code on the bidding process for the South Acton project's building.

Review Draft Budget for FY '25 and proposed articles for 2024 Annual District Meeting Warrant

Mr. Mostoller provided the background on this item, explaining to the Board the preparation process, and the expected timeline for closing the warrant, and adopting the budget.

Ms. Amir Lin started the item by opening the budget to comments and questions. Mr. Stuntz and Mr. Rosen had no additional comment. Mr. Mostoller confirmed a recent minor change to the budget. The line item of the audit that went down a few thousand dollars as information from Powers and Sullivan was updated. Mr. Mostoller also noted that the 9% increase for chemicals may go down to 6% due to the bidding process for chemicals that is in the very early stages. More information on this will be available at a later date.

Mr. Petersen commented about the line item for water usage in winter and summer and noted that the way the budget is presented does not include the assumptions accompanying that item. The Board then had a brief discussion on this comment. Ms. Amir Lin asked Ms. McCarthy if this information could be incorporated in the future, Ms. McCarthy clarified that this budget presentation is a condensed version, but she can make adjustments to how information is presented as needed.

Mr. Bill Mullin provided comment on the budget meeting process. Mr. Mullin noted that frequently questions from the public on budget issues revolve around what specific line items mean, or people asking for a specific dollar amount for large issues like PFAS that encompass multiple line items. Mr. Mullin encouraged the Board to craft a message that relates to the budget, like an elevator pitch, given the feedback he has received from Acton residents about water in the past.

A discussion with Mr. Mullin followed, where Mr. Mostoller highlighted important financial figures of large projects like PFAS. Mr. Mostoller reviewed the District's current strategy for answering the type of public comments Mr. Mullin referenced. Mr. Rosen explained the presentation the Finance Committee is working on to contextualize and explain the influence of PFAS on the budget.

Ms. Amir Lin asked if there were any other comments on the budget. Seeing no other comments, Ms. Amir Lin directed the Board to wrap up discussion of the budget so they could move on to discuss the Warrant Articles.

The Board and the Finance Committee then had a brief discussion on the process for the Finance Committee's motion to recommend the budget. The Board and the Finance Committee discussed the motion as it relates to the upcoming discussion on the rate change.

Mr. Petersen motioned for the Finance Committee to support the FY 25 Budget Draft as presented in the packet of January 22, 2024, contingent on the Water Commissioners setting rates such that the expected revenue associated with the variable water fee is \$4,052,399.

Mr. Parenti seconded the motion and it was unanimously approved via roll call vote, Mr. Parenti, Mr. Petersen, Mr. Guthlein.

Mr. Mostoller introduced the Warrant Articles, and suggested they move through the Warrant Articles one by one and focus discussion on their presentation and grouping. Ms. Bassett noted which Articles are on the Consent Agenda.

Mr. Mostoller walked the board through a correction on the election day date. Mr. Mostoller then went through Articles 1, 2, 3, and 4. For Article 5, Mr. Mostoller commented that because it is a reauthorization for the revolving fund for mitigation, we may want to group that with the revolving fund authorization for new meter installations (Article 22). The Board then continued discussion on this suggestion before moving on.

Mr. Petersen asked if it would be conducive to group several of the current Articles into one Article with many subsections, rather than stand alone Articles, especially for Articles that are all for similar transactional processes. The Board then engaged in a robust discussion on this suggestion. The discussion highlighted that this process is also used for the Acton Town Meeting. Ms. Bassett provided her knowledge of the process for how this may work. Mr. Parenti addressed one concern expressed by Mr. Stuntz, that if one section fails the whole article does not fail, similar to the function of the Consent Calendar.

Mr. Stuntz asked Mr. Mullin for his perception of this type of formatting. Mr. Mullin noted that such groupings can cut down on the repetitive nature of the Warrant Articles which can sedate discussion. Mr. Mostoller raised concern that such a grouping may cut down on opportunities for the voters to learn about and discuss the Articles which he has been hearing is something that the Board and Finance Committee want to encourage, not discourage. The Board, the Finance Committee, and other people present continued to discuss this suggestion.

As the discussion yielded no clear consensus, Ms. Amir Lin stated that they can maintain the Consent Calendar as is, and to continue grouping Articles by theme. She noted that since there is only 25 Articles and some in the beginning are very short, she did not see a clear and present need

to further condense Articles in this manner. Mr. Stuntz agreed with Ms. Amir Lin's statement, and Mr. Rosen said that he could see this type of formatting being used but is undecided on its necessity for this set of Warrant Articles.

In reviewing Article 11, Ms. Amir Lin suggested that Article 11 could be swapped in the line up with Article 12. The board then engaged in a discussion on this suggestion and if this change would contribute to the thematic grouping of the Articles. After much discussion on this grouping and how it would affect the Consent Calendar, the Board reached an agreement to pull Article 12 out of the Consent Calendar and then swap its positioning with Article 11.

Mr. Mostoller continued the review of Article's 13 and 14. The Board then discussed how to explain the details that accompany these articles, and if moving Article 24 would assist in providing context for Articles 13 and 14.

Ms. Kastens provided comment on the presentation of the Article related to the purchase of vehicles. She highlighted to the Board that the District had been asked to look into the purchase of electric vehicles, she asked that the Board provide follow up on that amendment from the voters. Mr. Mostoller agreed with Ms. Kastens and explained the background of the District's search for electric vehicles that suit their needs.

Ms. Amir Lin and the Board confirmed that they would like to move Article 24 up to 13 to better thematically group the Articles.

Mr. Petersen commented that the Town of Acton oftentimes provides a summary of each Article as part of the documentation given to attendees to facilitate participation and discussion. When asked if the District had done this, Mr. Mostoller replied that written summaries have not been used in that format within the District for a very long time. Mr. Stuntz noted that during the meeting articles are verbally explained and summarized, especially when they are complex. The Board then returned to discussing moving Article 24.

Ms. Kastens commented that she would support the District adding a one paragraph summary of each Warrant Article as many of the items may be difficult for people to follow. Ms. Amir Lin asked those in attendance for their thoughts on this comment. Mr. Mostoller noted that this can be implemented for future Warrant Articles, but they do not have enough time to implement this for this year's annual meeting. Mr. Rosen agreed, and Ms. Amir Lin noted that the Board will take this under advisement for next year.

Mr. Mostoller then continued the overview with the Board on Articles 15, 16, and 17. For Article 17 Mr. Mostoller noted a change as Ms. Wahlstrom realized there was \$20,000 included that will not be needed this fiscal year. Mr. Mostoller continued the review of Articles 18, 19, 20, and 21. Ms. Amir Lin asked Mr. Mostoller if the additional information on the other cell tower lease was ready for the annual meeting. Mr. Mostoller noted that there is still time remaining on that lease in question so it will not be necessary for this year's annual meeting.

Mr. Mullin asked if the District had a statutory limit for the length of time funds from an Article can remain unused, as one of the Articles for vehicles mentioned funds from an Article from years earlier. Ms. Bassett responded that she was not aware of the District having such a statutory limit in

place. Mr. Holland commented that oftentimes such limits are self-imposed by the Towns, and that he is not aware of such a limit that is Statewide.

Ms. Kastens commented that for Article 20, the Commissioners should speak to why the alternative water supply study has taken priority over the water rate study since it seems the readiness of the water rate study has changed.

The Board then finished reviewing Articles 22, 23, 24, and 25. Ms. Amir Lin asked the other Commissioners if they had any additional comments, both Mr. Rosen and Mr. Stuntz said they had no further comments or feedback. Ms. Amir Lin asked if the Finance Committee had any additional feedback, they confirmed they were all set.

Ms. Amir Lin closed the discussion.

Discussion of rate increase to support FY'25 Budget

Ms. McCarthy shared her presentation on the rate increase to support the FY '25 Budget. At the last meeting's discussion, the Board asked to see several different scenarios of how to organize a rate increase to support the FY '25 Budget. In the original presentation Ms. McCarthy presented a 50% increase on all tiers, but this presentation delves into several other scenarios that the Board and Finance Committee asked for last time, as well as some additional scenarios. Of those 7 total scenarios that she ran, Ms. McCarthy presented 3 scenarios that could hypothetically support the budget. Ms. McCarthy reviewed these scenarios, explaining the percentage increases across different tiers, and to the summer rate. Ms. McCarthy went on to explain that in other scenarios she tried to find an increase that would minimize the impact on lower users specifically, however she was unable to find a scenario that both met the FY 25 budget needs and did not increase the rate for the first tier.

After explaining these models and her process, Ms. McCarthy recommended that a 50% increase across all tiers would meet their budget needs. She explained the factors that support this recommendation like the unreliability of demand fees, and the slim margins that other scenarios provided. At this point Mr. Mostoller opened the discussion to questions.

Mr. Stuntz asked about the size and percentage of the municipal bill. Ms. McCarthy referred to the 'Visual Impact' section of her presentation for this answer. Mr. Mostoller noted that about 88% of water used in town is from residential use, only 2% is municipal.

Mr. Rosen remarked that the models that tried to load the increase on the high users, didn't meet budget needs because that tier's water use is going down. He also noted that if they have another unusually rainy summer, they cannot rely on high summer use. Mr. Rosen remarked that it's distasteful to raise rates like this, but no other scenario can support the budget, and the summer weather has become so unpredictable they cannot rely on summer rates. Mr. Parenti agreed with Mr. Rosen's assessment, noting that the most use is for mid-tier users, so there is no way to avoid raising costs for the average user.

Mr. Petersen asked about the size and structure of the tiers, asking how long the current tiers have been in use. Mr. Mostoller responded that they reviewed the tiers about 3 years ago and made several adjustments at the time. Ms. McCarthy jumped in and explained changes to the tiers

previous to the 2019 restructuring. Mr. Petersen commented that if there were more tiers of smaller size, then hypothetically a progressive rate increase could possibly have the bottom tier at a 35% increase. Ms. McCarthy offered to send Mr. Petersen her configurations that were specifically modeled for a progressive rate increase to show in more detail how the model did not support the budget.

Mr. Stuntz commented that this discussion could go on to explore dozens of options and different configurations of the tiers, dollar amounts, however they do not have the time to excessively study every possible option. Mr. Stuntz noted that the simplest solution is the 50% increase across the tiers, since other scenarios have the issues that Mr. Rosen, Mr. Parenti, and Ms. McCarthy pointed out.

Mr. Guthlein then provided his comment on the discussion. Mr. Guthlein discussed how he views the goal of loading increases onto the summer rate, the usual increased usage during the summer from lawns and pools, and the resources that requires from the District. Mr. Guthlein then discussed the progressive rate increase, the impact of the debt service fee on low users, and the changes between the summer and winter rates across all volumes.

The Board and the Finance Committee continued their discussion on this topic and the many factors affecting a rate increase. Ms. Amir Lin paused the discussion to ask if those present could agree on a path forward.

Mr. Mostoller noted that this does not need to be voted on tonight, but they would need explicit direction on what to model next after the many models that have already been completed. Mr. Mostoller recommended that the Board seriously consider the 50% increase and keep in mind that due to upcoming PFAS costs, this will likely be a discussion they have to repeat next year. Mr. Mostoller noted that a 50% increase is not ideal, but it is a rate increase that keeps the District in a healthy financial state. He noted the approaching deadlines that will limit how much additional discussion on this is possible in the absence of specific guidance.

The Board had a brief discussion on this, asking Ms. McCarthy several more questions about billing and added expenses.

Mr. Rosen made a motion to adopt a 50% rate increase across all tiers of water users. After some brief discussion amongst the Board regarding process, Mr. Stuntz seconded the motion and it was unanimously approved via a roll call vote, Mr. Stuntz, Mr. Rosen, Ms. Amir Lin.

NEW BUSINESS:

2nd Quarter Financial Update

Ms. McCarthy presented the District's 2nd Quarter Financial Update. Ms. McCarthy reviewed the expenses for the year. She noted the effect of net metering credits on the electric bills is still being determined and the 3-month lag in receiving Solar Credits make it difficult to project the final cost at the end of the fiscal year for the Lights, Power and Fuel line item. Overall Ms. McCarthy informed the Board that everything looks to be where they expected it to be, she noted that revenue from demand fees is lower than they would like, and that they expect to receive the solar lease payment sometime this month.

Mr. Rosen asked if there are any projects lined up that would qualify for the demand fee, like the Powder Mill project. Mr. Mostoller and Ms. McCarthy responded that they are not aware of any impending large projects and would be surprised if any popped up at the last minute.

Ms. McCarthy then explained how the reports provided in the Quarter End Report relates to the Updated Financial Policy. The Board asked some very brief questions that Ms. McCarthy quickly answered.

Ms. Kastens provided her comments on not only this agenda item, but the previous discussion as well. She noted that she is not aware of any price elasticity at the higher tier, which relates to previously expressed concerns that high tier users would conserve. She noted that those on a fixed income are more sensitive to the impact which may affect their use. She noted her respect for Ms. McCarthy's efforts to outline several different rate increase scenarios, but she was surprised to not see a scenario that provides a progressive rate increase for both the summer and winter differential.

Mr. Petersen asked with respect to the General Fund Cash Position, what is the objective in terms of minimum position that they would like to hold over the course of the year? Ms. McCarthy replied that they try to keep it around half of the budget to account for appropriations to free cash and to other projects.

Authorize Reserve Fund Transfer for 3 months of NAWTP PFAS Lease

Mr. Mostoller provided the background on this item. He informed the Board that they are looking to the Reserve Fund to cover the first three months of the North Acton PFAS system. He noted the company they are leasing from has been very gracious and has not been charging them for most of 2023. He noted this transfer will allow them to pay for the first three months of the 2024 calendar year, and the remainder will come from surplus revenue to be voted on at the Annual meeting. Mr. Mostoller informed the Board and the Finance Committee of the process necessary to approve this transfer.

Mr. Parenti Motioned to pay for the January, February, March 2024 North Acton PFAS filter lease payments be approved in the amount of \$83,106. Mr. Petersen seconded, and it was unanimously approved via a roll call vote, Mr. Guthlein, Mr. Parenti, Mr. Petersen.

Mr. Stuntz motioned to pay for the January, February, March 2024 North Acton PFAS filter lease payments be approved in the amount of \$83,106. Mr. Rosen seconded, and it was unanimously approved via a roll call vote, Mr. Rosen, Mr. Stuntz, Ms. Amir Lin.

Review Draft Financial Policies

Ms. McCarthy presented on the Review of the Draft Financial Policies. She explained that this was presented to the Finance Committee back in October, and the draft contains their comments. Ms. McCarthy noted that this item should be finalized quickly because they have a bond rating review on February 12th, and a robust and up-to-date financial policy would be helpful to their rating.

The Board provided some preliminary feedback, noting the work done by both Ms. McCarthy and the Finance Committee. This draft requires some additional review before it can be approved. Mr. Parenti commented that he expects the Finance Committee to wrap this up with Ms. McCarthy

soon. The Board and the Finance Committee then briefly discussed the timeline of their approval process in relation to the annual meeting.

Mr. Petersen provided comments on the draft, noting that he believes the difference between procedure and policy should be made clearer as he believes some of the cash management section is unnecessarily prescriptive for policy.

The Board then wrapped up discussion on this topic and decided to move into Executive Session.

Mr. Petersen motioned to adjourn the meeting of the Acton Water District Finance Committee at 10:00PM. Mr. Parenti seconded the motion, and it was unanimously approved via a roll call vote, Mr. Guthlein, Mr. Parenti, Mr. Petersen.

EXECUTIVE SESSION: -- To consider the purchase, exchange, lease of real property as an open meeting may have a detrimental effect on the negotiating position of the District.

Ms. Amir Lin motioned to close the regular open meeting currently in session, and have the Commissioners enter an executive session pursuant to General Law chapter 30A section 21a6 to consider the purchase, taking or value of real property, and to not reconvene in open session.

Mr. Rosen seconded the motion, and it was unanimously approved via a roll call vote, Mr. Stuntz, Mr. Rosen, Ms. Amir Lin.

OPEN MEETING CLOSED AT 10:00 PM