

**Acton Water District
693 Massachusetts Avenue
Acton, MA 01720
Finance Committee Meeting Minutes**

September 9, 2021 at 1:00 pm via Zoom

Pursuant to Governor Baker's March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, §18, and the Governor's March 15, 2020 Order imposing strict limitation on the number of people that may gather in one place, this meeting was conducted via remote participation.

In attendance were Finance Committee Members Bill Guthlein, Chuck Bradley and Ron Parenti. Mr. Parenti has not been sworn on by the District Clerk yet, so he will not be voting at this meeting. Also in attendance, Barry Rosen, Kim Kastens, Dana Clark and Tim Gray of Boston Financial, Chris Allen, District Manager and Mary J. Bates, District Treasurer.

The meeting was called to order at 1:00 pm by Mr. Guthlein.

Boston Financial Update

Dana Clark presented the update on investments.

As of August 31, 2021, the Grace Fund had a balance of \$2,330,274. The year-to-date rate of return was 8.5%, most recent year rate of return was 13.5% and the 5-year rate of return was 7.7%.

As of August 31, 2021, the OPEB Trust Fund had a balance of \$1,484,879. The year-to-date rate of return was 10.2%, the most recent year rate of return was 15.3% and the 5-year rate of return was 9.4%.

Kim Kastens asked if the District currently tests for herbicides, specifically Roundup. Mr. Allen said that testing is not done for that specific chemical. Ms. Kastens would like to see the District eliminate the investment in companies that make those chemicals that are polluting the water supply. Mr. Guthlein indicated that we have not traditionally limited the investments of the investment manager.

Mr. Guthlein asked about the low-grade bond investments. Mr. Clark indicated that they are investment grade bonds from good companies. Boston Financial will provide a listing of all bond grades going forward.

Mr. Guthlein asked about the performance of international equities. Mr. Clark indicated that they have had success with a few international companies, but they are not chasing the international market.

After questions from Mr. Bradley, Mr. Clark indicated that they are comfortable with the current mix of investments.

Approve Minutes

Mr. Bradley made a motion to approve the minutes of the March 8, 2021 meeting. Mr. Guthlein seconded the motion, and it was unanimously approved by a roll call vote:

Mr. Bradley, yes, Mr. Guthlein, yes.

Board Reorganization

Mr. Guthlein made a motion to elect Mr. Bradley as the chair. It was seconded by Mr. Bradley and unanimously approved by a roll call vote:

Mr. Bradley, yes, Mr. Guthlein, yes

Water Rates and Debt Fee

Mr. Guthlein made a presentation of the District's capital expenditures, which is attached. The debt fee was put in place in 2012 and had grown substantially since then, as capital expenditures have been significant. As costs have grown, does a volume debt rate make more sense? The Committee will continue to discuss at future meetings.

Mr. Rosen presented Fixed Fee Mitigation alternatives, which is attached. There were 6 options presented. The Finance Committee will take up a rate increase discussion at the next Finance Committee Meeting.

Mr. Guthlein made a motion to adjourn the meeting at 2:50 pm. It was seconded by Mr. Bradley and unanimously approved by a roll call vote:

Mr. Guthlein, yes, Mr. Bradley, yes

All documents referred to in the minutes are available for inspection at the Acton Water District Office, 693 Massachusetts Avenue Acton, MA 978 263.9107

AWD CapEx Review

Rising capital expenditures and debt and its
impact on water rates to customers



CapEx from 2006-20 was \$35.5 MM with \$11.5MM more likely in 2021 for the Acton Center plant

Cumulative Capital Spending



Scattered wells with unique issues led to a multi-site treatment plant program beginning in 2006

“Unfortunately, our wells are scattered throughout the community. This means that we are not able to combine all of these sources and treat them all at a single location . Our only alternative is to construct a number of smaller filtration plants in a variety of locations.” 2006 District Manager report

“The Commissioners anticipate that it will eventually be necessary to add treatment to each of the District’s wells, and each of those filtration plants may need to be specifically tailored to address the unique characteristics of the local environment.” 2009 Commissioners report

“As a groundwater-sourced public water supply, the District is constantly facing the threat of pollution, such as from the Nuclear Metals site, and the variability of natural recharge, which led to a drought condition in the spring and early summer.” 2017 Commissioners report

“From a budgetary perspective, expenses related to treatment are expected to grow in future years as the list of regulated contaminants grows and standards become increasingly strict. It is expected that all of the District’s wells will eventually require various types of additional treatment. To meet this need, the District will continue to pursue remediation methodologies that are well-engineered and cost effective.” 2018 Commissioners report

The principal purpose of treatment plants has changed from discoloration to health issues

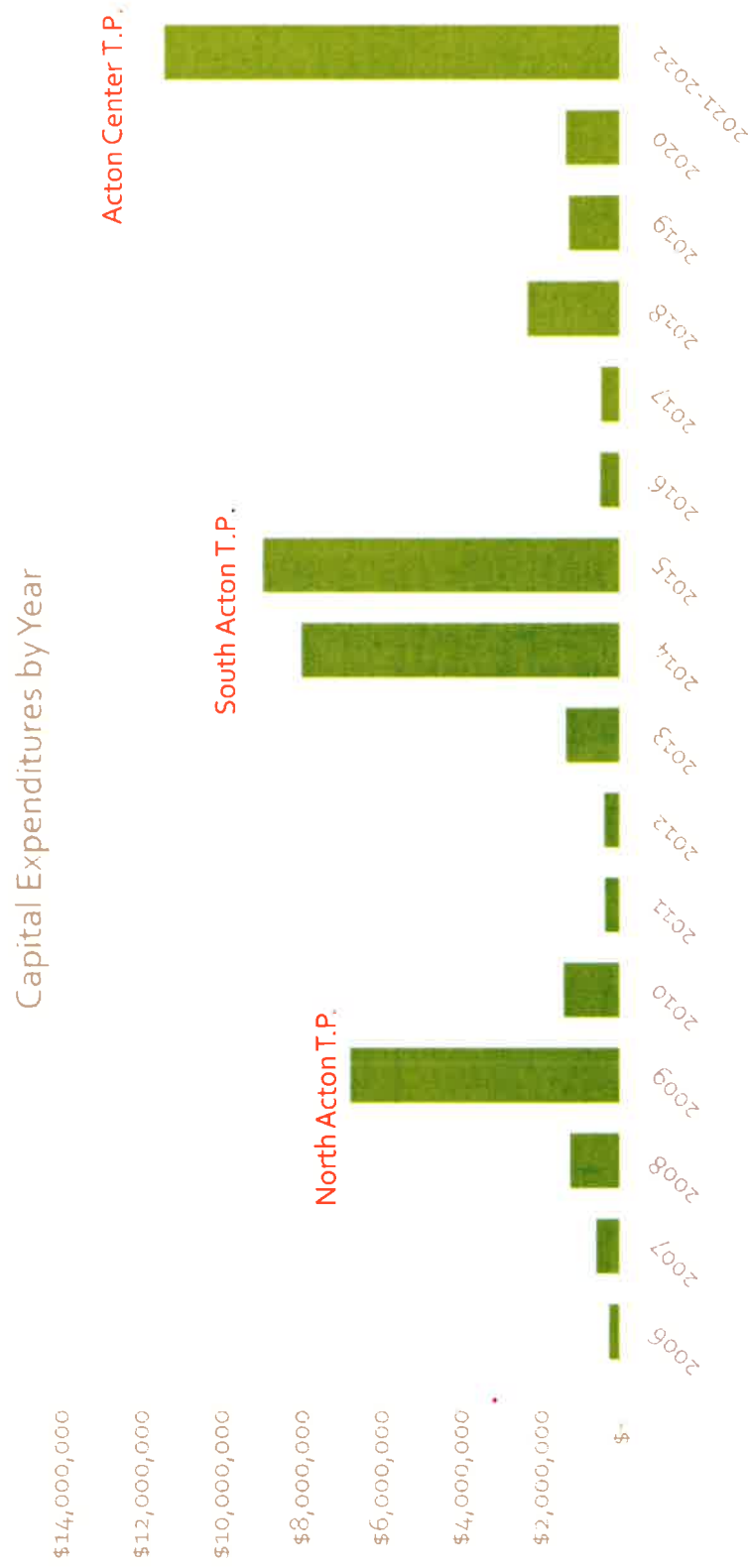
“An investigation of the color problem in South Acton has been initiated, and appropriate corrective action will be taken once the cause has been identified. The cost of permanent treatment facilities for color removal will be high; initial estimates for a plant to serve the Kennedy well are in the range of \$5M.” 2006 District Manager report

“The list of contaminants that water districts in Massachusetts are required to test for and remove continues to expand, and for many of these materials effective remediation techniques have not yet been developed. Trace levels of pharmaceutical substances, which have only recently been identified as a potential source of concern, is an example of a class of materials that is particularly difficult to remove from the distribution system.” 2009 Commissioners report

“While these improvements [South Acton] are partially driven by the need to correct a chronic water discoloration problem experienced by some users, the primary impetus for this facility is the requirement to comply with recent mandates issued by State and Federal regulatory agencies.” 2012 Commissioners report

“The highest PFAS concentrations were detected in the sources at the North Acton Water Treatment Plant (NAWTP). In response to this finding, the NAWTP was immediately taken offline, and other District sources were prioritized for use. AWD immediately began to explore PFAS treatment options and alternative water sources.” 2020 Commissioners report

Capital spending is internally funded except when building a treatment plant which requires bond debt



CapEx for 2020-2021 is driven by estimated cost of treatment plant of \$11.5 million.

Outlook: PFAS and other possible contaminants could drive higher capital and operational spending

“Short-term response actions are already underway, including selectively shutting some wells off, commissioning additional wells, designing and installing PFAS-removal systems at the most highly contaminated sources, and temporary restrictions on outdoor water use. Water quality sampling has demonstrated these actions have had an impact on lowering PFAS levels in the drinking water. In the longer term, more permanent solutions will need to be implemented. Selecting these solutions requires the AWD to undertake strategic planning to investigate all viable options for providing water. Significant costs are associated with each phase of any long-term solution, potentially reaching into the tens of millions of dollars.”

2021 Summer Water Words

“Science continues to advance. Some substances that were recently undetectable in water at parts per million can now be measured in parts per billion, and even parts per trillion. No one knows what scary sounding material that might have been in our water for decades will be discovered, publicized, and then regulated to be removed at substantial expense.”

2019 Finance Committee report

“PFAS compounds were unfortunately detected in some of our water sources at concentrations which exceed the state standard of 20 ppt [parts per trillion].”

2020 Commissioners report

In 2006 AWD had no long term debt. As of June 2020 LTD was \$14.2M and could be about \$34.3M by 2022

The cost to remediate PFAS contamination could be substantial and a reasonable estimate is not yet possible. This table estimates \$10M. Treating PFAS at all well sites could require a \$25M expenditure.

Date	Water Treatment Plant	Actual June 30, 2020		Unofficial Forecast June 30, 2022	
		Authorized	Outstanding	Authorized	Outstanding
2/15/2009	North Acton	\$ 6,000,000	\$ 2,700,000	\$ 6,000,000	\$ 2,100,000
8/15/2013	South Acton	\$ 2,135,000	\$ 845,000	\$ 2,135,000	\$ 415,000
1/17/2015	South Acton	\$ 12,000,000	\$ 10,625,207	\$ 12,000,000	\$ 9,437,519
3/20/2020	Acton Center	\$ 9,242,000	\$ -	\$ 9,242,000	\$ 9,242,000
6/8/2020	Acton Center	\$ 3,150,000	\$ -	\$ 3,150,000	\$ 3,150,000
2022 est	PFAS Multiple			\$ 10,000,000	\$ 10,000,000
	Total	\$ 32,527,000	\$ 14,170,207	\$ 42,527,000	\$ 34,344,519
	Expected Increase in LTD (2020-2022) ex PFAS forecast				\$ 10,174,312
	Expected Increase in LTD (2020-2022)incl PFAS forecast				\$ 20,174,312

Introduced to provide visibility, the fixed debt fee now generates more revenue than volume water rates

The debt service fee was instituted in 2012. Today it is \$60 per quarter. Customers now pay more in fixed fees than for the volume of water used.

“To keep these large debts visible the committee arranged to have the debt service fee as a separate item on the water bills. The fee will increase as we borrow money to pay for the new construction. Then you can watch it decrease as we repay the loans.”

2012 Finance Committee report

“Having the impact of existing debt visible on each water bill makes it easier for voters to decide if further debt is justified. The District has paid back about 1/3 of the NAWTP loan and in January, 2016 will make the first of 20 annual payments on the SAWTP loan. The debt service fee will show a slight decrease on the July bill.”

2015 Finance Committee report

“Fixed charges now account for 37% of the total charges but the debt service fee is now the largest part of the total bill for more than half the customers.”

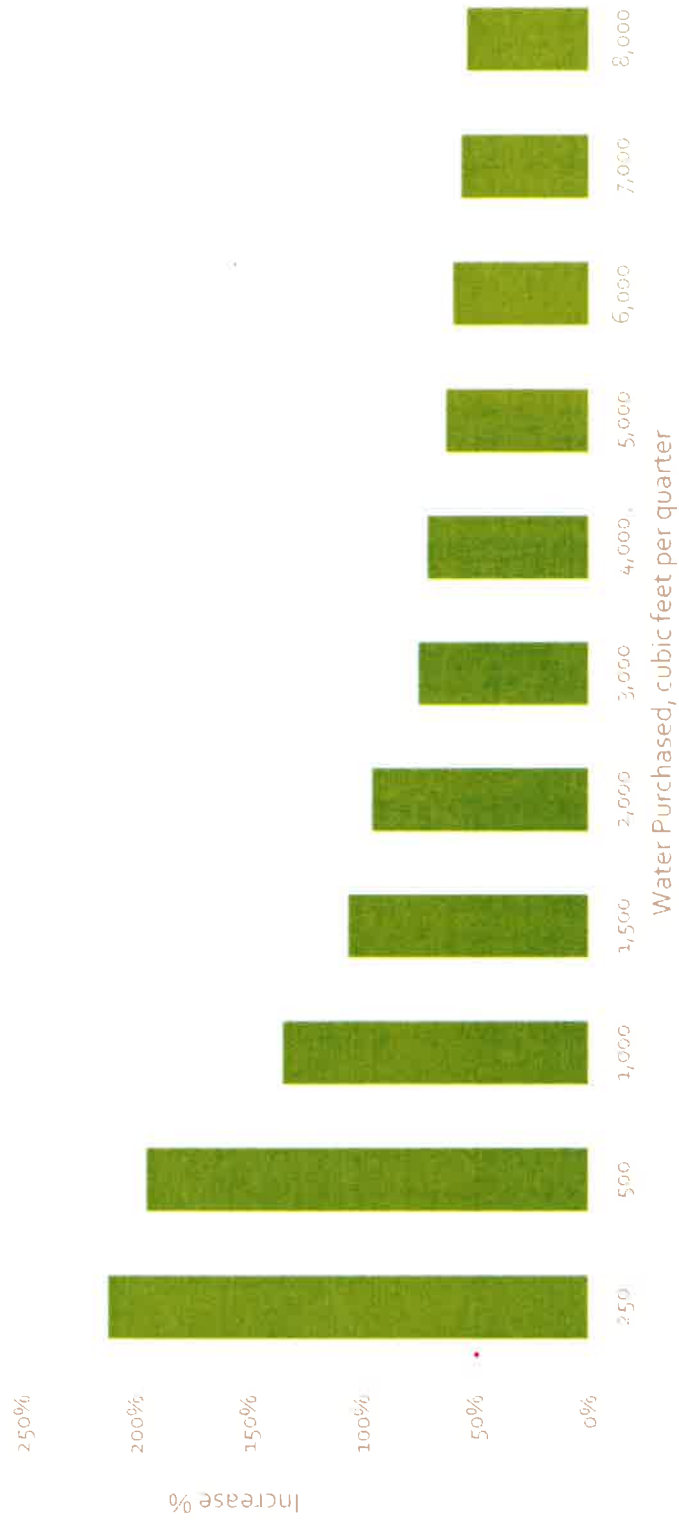
2019 Finance Committee report

“It appears fixed fee revenue will exceed revenue from water sold for the first time in the 2022 fiscal year.”

2020 Finance Committee report

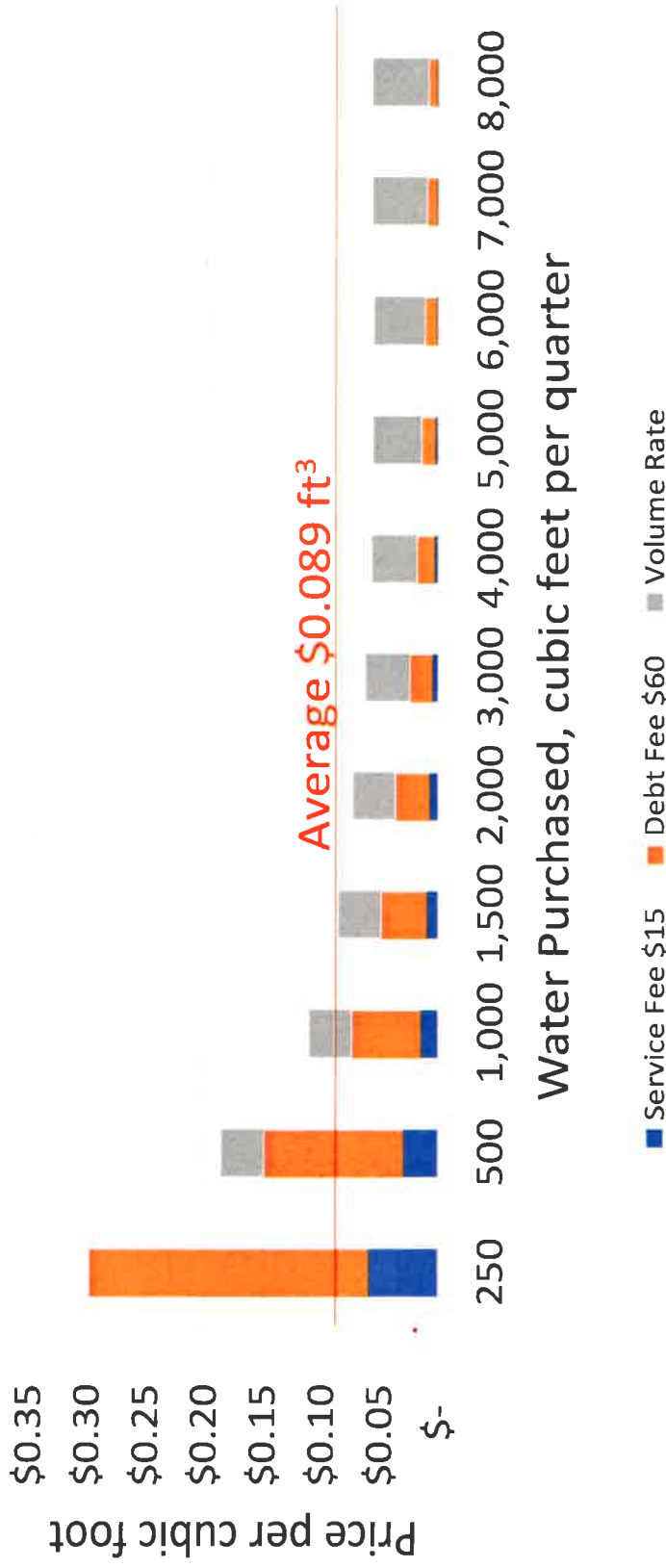
The fixed debt fee imposes more of a burden to low volume water users, % increases are higher

2012-2021 Summer Water Bill Increase %



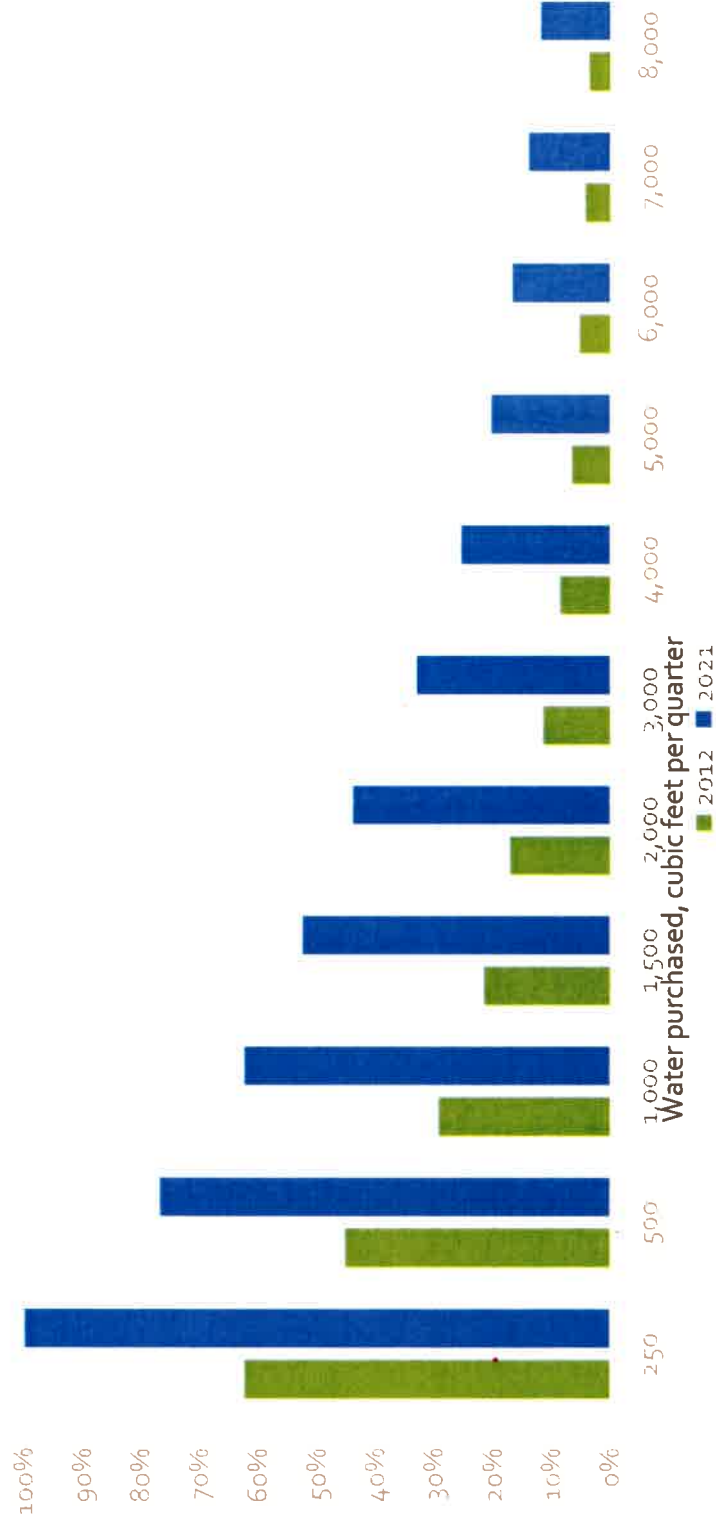
Fixed fees drive the price for low users. 1,000 ft³ users pay twice as much as 6,000 ft³ on a ft³ basis

2021 Summer Water Rates in ft³ Purchased



The growth of fixed fees has raised questions of pricing fairness and anti-conservation incentives

Fixed Fees (Debt + Service) as % Total Bill



AWD Finance Committee Meeting
September 9, 2021

Finance Fees Mitigation Opportunities

Finance Fees Mitigation Opportunities

1. Do nothing. Leave the present system alone.
2. Set debt fees proportional to volume of water charged.
3. Set debt fees proportional to number of bedrooms.

Finance Fees Mitigation Opportunities

4. Leave present system alone. Add new debt fees only to meters not receiving financial aid from AWD.
5. Leave present system alone. Provide relief to those receiving aid from AWD in same proportion. Apply only to new debt.

Finance Fees Mitigation Opportunities

6. Leave present system alone. Use ability of AWD to assess tax on real estate to pay for new debt fees.