

**Acton Water District
Finance Committee Meeting Minutes
January 4, 2024
693 Massachusetts Avenue
Acton, MA 01720**

In attendance were Finance Committee members Ron Parenti, Bill Guthlein, and John Petersen.

Also in attendance:

District Manager: Matthew Mostoller

District Treasurer: Christine McCarthy

Public Present: Kim Kastens

Mr. William Guthlein called the Finance Committee meeting to order at 8:01 AM.

Comments from the Public

No Comments

Old Business

- Review Financial Policy Draft

New Business

- Review FY 25 Budget Draft
- Review proposed Annual District Meeting Warrant Articles
- Discuss Water Rates for FY 25

Review Financial Policy Draft

The finance committee shared their thoughts on the financial policy draft. Mr. Guthlein's comments that had been sent to Ms. McCarthy (included in the meeting packet) were used as a basis for the discussion.

Mr. Petersen commented that the Cash Management section seems procedural- he recommended editing this section to be more concise.

Mr. Guthlein commented on the investment objective for the Grace fund and the OPEB Trust. He proposed changing to a 30/70 split for both. He also commented that for the Grace fund, we should be moving towards being more money market based. He also commented that the legal list reference should be removed and discussed the Prudent Investor Rule. Mr. Petersen added that from a policy perspective the funds should be invested conservatively with respect to the estimated longevity of the fund. Mr. Parenti asked if the finance committee was comfortable with spending down the Grace Fund. Mr. Guthlein reiterated the approach to building up and spending down funds. Mr. Parenti stated the Commissioners have always been opposed to spending down the fund, and he is not particularly comfortable with this going away. Mr. Mostoller stated that the Grace fund has served its purpose in recent years with PFAS emergence. We are at a point where we need to determine if we should close the fund or decide to continue to grow it. Mr. Petersen then commented that maintaining a reserve at the same level does not accomplish anything- it is meant to be used in extraordinary circumstances. A discussion of reserves took place and Mr. Petersen asked Matt what percentage he thinks a reserve should be? Mr. Mostoller responded that it depends on the intent of the reserve, what we are trying to buffer, etc.

Ms. Kastens asked about the trajectory of the document. She feels we should make this accessible on the Acton Water District website. Ms. McCarthy stated that once the final document is approved it will be publicly available.

Mr. Guthlein then discussed his comments on the depreciation table. He would like to see this condensed. Mr. Mostoller offered that as an alternative to the current format, the policy could reference the asset management plan to obtain further detail.

Ms. McCarthy will modify the draft based on today's meeting and the draft will then be shared with the Board of Commissioners on 1/22/24.

Review FY 25 Budget Draft

The FY 25 budget was reviewed. Highlights of the discussion include:

- Mr. Guthlein stated that it is known that a rate increase is needed to meet the budget numbers. Mr. Petersen stated the finance committee should make a recommendation to approve the budget and proposed rate to meet the revenue needs as presented in the draft.
- Ms. Kastens had a question about the rate scenario proposal and what the \$1million increase would be covering. Ms. McCarthy addressed her questions.
- Mr. Petersen would like to see information on the FTE's for the positions.
- The Finance Committee will plan to vote on the budget at the joint meeting to be held on January 22, 2024.

Review proposed Annual District Meeting Warrant Articles/Discuss Water Rates for FY 25

A discussion took place about what the water supply alternatives study entails and the MWRA system expansion. The study will likely take place in late summer/fall 2024.

Mr. Petersen then questioned why we are not increasing the \$500k appropriation for Water Main Improvements for inflation? Mr. Mostoller responded that we have a lot of deferred maintenance. Mr. Guthlein then asked what the current balance in the Water Main Improvements appropriation line is. Ms. McCarthy will pull together a report following the meeting that shows the capital appropriations and expenditures going back several years. She will share the report with the finance committee.

Ms. Kastens then had two questions. She said lead and copper is a new item we haven't seen before. Mr. Mostoller responded that last year we had an article for \$400k. We planned to use \$200k from a reimbursement grant and we'd have \$400k remaining for water mains. Ms. Kastens then asked what we replace? Mr. Mostoller mentioned that Alex would be presenting on this topic at Monday night's meeting. The cost is approximately \$16k per line. Ms. Kastens then commented that she completely agrees on the importance of the water supply alternative study, but she is disappointed we aren't funding the rate study. She wants the Acton Water District to take the opportunity to address the conservation aspect of the rate study and she would like to see the heaviest part of the rate increase to be placed on the summer portion of the higher tiers.

Mr. Guthlein echoed Ms. Kastens. He wants to weight the rate increase on the summer tiers 1501 ft³ and above. Mr. Petersen stated people understand that peak demand drives costs. Mr. Parenti doesn't feel many people would object to this strategy.

Ms. McCarthy was asked to run a rate scenario where the increase is placed on the summer rate for tiers 1501ft³ and above. Mr. Parenti asked for usage data from 2016, 2018 and 2023 so he may run an analysis. He will send Ms. McCarthy a copy of the spreadsheet he received in the past.

Mr. Petersen motioned to adjourn the finance committee meeting at 10:17 AM. Mr. Parenti seconded, and it was approved by a roll call vote:

Mr. Parenti, yes, Mr. Guthlein, yes, Mr. Petersen, yes.

All documents (if applicable) referred to in the minutes are available for inspection at the Acton Water District Office, 693 Massachusetts Avenue Acton, MA 978.263.9107