

**Acton Water District
Finance Committee Meeting Minutes
January 17, 2023
693 Massachusetts Avenue
Acton, MA 01720**

In attendance were Finance Committee members Chuck Bradley, Bill Guthlein and Ron Parenti. Also in attendance, Matthew Mostoller, Assistant District Manager, Christine McCarthy, District Treasurer, and Kim Kastens. Tim Gray from Boston Financial was present via Zoom to deliver their update.

The meeting was called to order at 10:30 am by Mr. Parenti.

Approve Minutes

Mr. Parenti made a motion to approve the minutes of the November 17, 2022 meeting with the following change to be made- he would like to see the acronym "SRF" defined. Mr. Bradley seconded the motion, and it was unanimously approved by a roll call vote.

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

Update from Boston Financial

Tim Gray from Boston Financial joined the meeting via Zoom to provide a calendar year end update. Unfortunately, market performance in 2022 was the 2nd worst we have seen in the past 50 years. He stated it appears that inflation has peaked, and equities are up so far in 2023. Generally, if the year starts strong, the year will be strong. The Federal reserve may begin to cut rates in Fall 2023, however, at least one more rate increase is anticipated. Currently short-term yields are higher than long term yields and this is generally a sign of a recession.

Our OPEB Trust has a 60/40 blend. The 1-year Net return is (9.7%). Our short-term bond portfolio has provided some nice protection from market volatility. As of January 13, 2023, the current value of the OPEB Trust is \$1,321,770.

Our Grace Fund has a 50/50 blend. The 1-year Net return is (8.1%). Our portfolio consists of several defensive stocks which have outperformed the market and offer protection to the portfolio. As of January 13, 2023, the current value of the Grace Fund is \$906,849.

Mr. Guthlein asked Tim Gray to provide an interest rate forecast. Tim stated rate hike(s) of .50% to .75% are anticipated. It is also anticipated that the Federal reserve will issue a rate cut in the Fall.

Mr. Parenti inquired about the debt ceiling and if this will change Boston Financials strategy in any way? Tim responded that if the debt ceiling is reached there is the potential that the payout of Treasury Bonds will be delayed. The markets may become spooked, but overall, no major implications are being forecasted.

Mr. Guthlein asked if Boston Financial is structuring AWD's portfolio to deal with a potential recession. Tim stated that tweaks have been made to the portfolio. Boston Financial is happy with the long-term outlook due to the stocks that have been selected.

Tim Gray said a copy of the presentation will be made available following the meeting. Ms. McCarthy will forward the presentation to the Finance Committee once received.

Comments from the Public

Kim Kastens presented a draft of the Citizens Petition she has written. The petition is non-binding for a water rate study.

Mr. Guthlein provided recommendations on the wording for the petition. Mr. Parenti stated the Water Commissioners have made it clear that they do not want to change the rate structure. However, a citizen's petition may motivate the Commissioners to go in another direction.

Mr. Mostoller responded that we had previously looked at having a rate study done but due to tight budgets, the rate study was delayed until we have a better understanding of what investments need to be made.

A discussion ensued on the procedures for a citizen's petition.

Review 2nd Quarter Actuals

The 2nd Quarter Actuals were reviewed. Ms. McCarthy has modified the report to show the actual revenues and expenditures by month. Historically, reports have reported the FY budget, the FY actual as of a specific date, a column for projections, and the variance to budget for the year. The finance committee asked Ms. McCarthy to also include a column that shows the variance to budget for the quarter in future reports.

FY '23 Reserve Fund Transfer

Ms. McCarthy presented a request for transfer from the Reserve Fund in the amount of \$75,000, to cover the shortfall in the Lights, Power and Fuel account due to the significant increase in electric and natural gas rates.

Mr. Bradley made a motion to approve the transfer of \$75,000 from the Reserve Fund to the Lights, Power and Fuel account. It was seconded by Mr. Parenti and unanimously approved by a roll call vote:

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

Establishment of Revolving Fund for New Service Meter Installations

Mr. Mostoller and Ms. McCarthy discussed the proposed establishment of a revolving fund for new service meter installations.

Mr. Guthlein made a motion to recommend the Board of Commissioners to include the necessary articles to establish a Revolving Fund for New Service Meter Installations on the Annual Meeting warrant. It was seconded by Mr. Bradley and unanimously approved by a roll call vote:

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

Review FY 24 Budget Draft and Proposed Articles for the 2023 Annual District Meeting

The FY '24 budget draft was reviewed.

Mr. Parenti had a question regarding the Grace Fund balance and Mr. Guthlein inquired about the increase in Salaries and Wages. Ms. McCarthy explained the reported Grace Fund balance is the unappropriated balance.

Ms. McCarthy will provide the Finance Committee with a redacted spreadsheet which details the various components of the Salary and Wage line item.

Mr. Parenti mentioned he spoke at a recent Town of Acton Finance meeting regarding PFAS costs as part of the WRAC presentation. Kim Kasten's noted that the residential usage is decreasing and asked if the Commercial usage was also decreasing.

Mr. Mostoller stated that we hope we will see a settlement and can establish a PFAS fund. However, we're frontloading the cost right now. Mr. Mostoller also updated the Finance Committee on the status of the Intended Use Plan (IUP) ranking for the projects we submitted for ranking last August.

Mr. Guthlein asked if there was a way to lease versus buy the PFAS equipment.

Mr. Mostoller discussed the North Acton Water Treatment Plant. We will be leasing the vessels, but some capital investment is still required. Durability is a question when leasing equipment.

Finance Committee Letter for Annual Report

Mr. Parenti presented the Draft of the Finance Committee's letter for the Annual Report. Mr. Bradley suggested extending the timeline of the included chart to FY 25.

Mr. Guthlein made a motion to adjourn the meeting 12:44 pm. It was seconded by Mr. Bradley and unanimously approved by a roll call vote:

Mr. Guthlein, yes; Mr. Parenti, yes, Mr. Bradley, yes