**Minutes of the Rate Committee**
**Date & Time:** Wednesday, October 15, 2025 0700 EST
**Attendees:** Bob Corey, Mike Payne, Brian Tarbuck
**Subject:** Review of updated Cash Forecasts and Capital Improvement Plan (CIP) projections, strategy for Board presentations, and operational updates.

I. Cash Forecast Modeling and Financial Health

The cash forecast models are undergoing updates to extend projections from 2026 to 2029. The focus is currently on ensuring the calculations for 2025 and 2026 are correct.

**Key Findings and Model Scenarios:**
• **Goal Setting:** The goal is to avoid high future rate increases (like 12% in a couple years) by implementing annual, smaller increases, ideally 3% to 10% per year.
• **Depreciation and Reinvestment:** The utility aims to fully cover depreciation to satisfy PUC guidance and ensure adequate reinvestment.
• **Drinking water pipe replacement funding:** Currently, about 31% of the necessary pipe replacement is funded. One percent of drinking water pipe replacement in 2025 is estimated at $4.8 million, rising to $6 million by 2029.
• **Cost Drivers:** The cost per foot for replacement has increased significantly, reaching $700, and up to $1,000 to $1,100 per foot in recent projects (like the rotary project in 2020). High paving restoration requirements mandated by the city and MDOT contribute about 30% to total project costs.
• **Rate Scenario Analysis:**
  ◦ **Zero Percent Increase:** This scenario shows the utility running out of money quickly to maintain projected capital needs.
  ◦ **Model 3.2% Increase:** This model suggests the utility is "doing okay" and would have cash at low reinvestment levels, but it would not gain ground on the pipe replacement goal.
  ◦ **Higher increases to support pipe replacement:** Achieving 50% pipe replacement would require single-digit increases (5%–8%), though cash reserves still show rapid decline.

II. Capital Improvement Planning (CIP) and External Projects

The CIP has not yet been finalized. Adjustments will be made until December when the final CIP will be presented to the Board for consideration.

• **PFAS and Financial Match:** The drinking water CIP includes required matching funds for PFAS removal equipment. $4 million in forgiveness money has been secured related to this. GAUD's match is approximately 10%.
• **Current Projects:** Projects for 2026 include Brooks and Davenport Streets (City projects) and Amherst Street.
• **City/DOT Coordination:** Coordination with the City and DOT on paving lists remains challenging, leading to delays and situations where the utility must dig up roads shortly after they are paved, resulting in high restoration costs.
• **Development Growth (Kmart):** The Kmart redevelopment is viewed positively as it utilizes existing infrastructure, is located in town, and is expected to significantly increase water sales, potentially triggering other in-town developments.

III. Wastewater Treatment Plant (WWTP) Focus
A new priority is allocating dedicated funds for WWTP upgrades to avoid future catastrophic failures.
• **Dedicated Funding:** The goal is to allocate funds specifically to the plant, making sure it receives an allocation when needed (estimated between $500,000 and $750,000 annually).

• **Current Projects:** A major project involves the secondary clarifier, which requires about half a million dollars of work. This is currently planned for cash funding.
• **Targets for Plant Manager:** The new approach aims to provide clear financial targets (e.g., $750,000/year) for replacing aging plant equipment and processes.

IV. Personnel and Union Matters
• **Union Negotiations:** The union proposed 5%, 5%, 6% increases, while management offered 5%, 5%. Medical coverage is still split 85% employer/15% employee.
• **Recruitment Challenges:** Recruiting labor remains difficult.  The district has good benefits and as a result, entry level wages are less appealing to younger people who are more interested in take-home pay.
• **Truck Lifespan:** A discussion arose about the lifespan of new trucks as a tangible example of how typical equipment needs have grown much more expensive but wear out just as fast as their less costly predecessors.

V. Board Presentation Strategy and Timeline
The plan was established for distributing materials and structuring the upcoming board meetings:

| Meeting/Date | Focus/Content | Materials |
|---|---|---|
| **Friday (Upcoming)** | Distribution of the Board Packet. | **Detailed cash forecast** (digital version) and summarized presentation materials. |
| **Planning Session (Next Week)** | High-level overview of the budget, fiscal management, and CIP/O&M. | Brief slide presentation (similar to last year's few slides), focusing on the **tool** used for forecasting rather than specific final numbers. |
| **November Board Meeting** | Full presentation of the proposed budget and discussion/review. Discussion on joining the other PFAS settlement. Report on the $150,000 PFAS settlement disbursement received. | Draft of the **Proposed Budget** (considered 75% final). |
| **December Board Meeting** | Final vote on the Proposed Budget. | Final proposed budget (100% final). |

**Presentation Specifics:**

• The presentation should be summarized, showing the 0% and 3% options. The detailed backup should be available but not the primary focus.

• The evening meeting will start with a social time at 5:00. The goal of the planning meeting is to keep presentations short and conversations engaging.

VI. Other Operational Updates

• Blaine Casey was awarded the contract for the building expansion at approximately half the price of the next bid.

• PFAS filters are expected to be on-site and possibly installed by April next year.