

## **Board of Public Works**

**01/28/21 – Minutes**

**“Go To Meeting”**

**(working session)**

### **Present via remote login:**

DPW Board Members: Chair – Tom Nephew, Paul Brinkman, Pat Harrington, Lewis Lunn, George Clark; DPW Director – Ken Kalinowski, W/S Supt Joe Jordan, Town Accountant William Schlosstein.

### **Call to Order at 5:30 p.m.**

Chairman Tom Nephew called the meeting to order at 5:34 p.m. and announced that it was being recorded.

### **Water and Sewer Rates – Working Session (no votes to be taken).**

- Ken Kalinowski informed the Board that the discussion on the sewer rate worksheet was being deferred until a later date due to some minor discrepancies in the debt figures. Paul Brinkman asked for confirmation that this was not a rate hearing, and Ken said he was correct, this was a working session to evaluate several options.
- Ken informed the Board that due to the SRF program having awarded Pepperell ‘principle forgiveness’ on the Bemis Road filtration plant, the anticipated rate increase for water was well below the 15% that was discussed at last years rate hearing.
- Joe Jordan walked the Board thru the underlying assumptions that were used to compile the rate spreadsheet. The end result was that the staff was recommending a 6% increase in the water rates for FY22, with 3% increases in each of the out years to generate sufficient income to meet estimated operational costs as well as to maintain a retained earnings balance of approximately 20% of the annual operating budget.
- Joe reiterated that the ~\$500k in principle forgiveness was the primary driver in lowering the recommended rate increase. He also reminded the Board that we are paying 2% interest on the SRF loan, and when coupled with the forgiveness this created about the best possible scenario for funding the project.
- Ken reminded the Board that although the 10-year horizon shown on the spreadsheet was a good planning tool, any figures beyond the next 2-3 years (max) could potentially be subject to considerable unforeseen change.

- Tom Nephew stated he was comfortable with the 6% increase and there was general consensus expressed by various Board members.
- Ken Kalinowski informed the Board that, although this rate increase should be sufficient to meet anticipated expenses, there was the specter of PFAS (Per- and polyfluoroalkyl substances) becoming an issue in Pepperell's water system. These compounds are the result of the manufacture and disposal of any number of common products associated with items made with Teflon®, as well as fire-fighting foam and other fire retardants. Paul noted that the federal limit is set at 70 parts-per-trillion (ppt), but MA is using 20 ppt. Ken added that labs can detect down to 2-3 ppt. Joe noted that the Nashua Road well is close to 20 ppt now, but Jersey Street is testing at 11-12 ppt and Bemis Road is non-detect. Given that Nashua is also experiencing elevated Fe and Mn, Joe suggested it could be more cost effective to shut this well down completely and redevelop a new well at Bemis rather than construct a treatment facility at Nashua Road. The cost for such treatment could be equal to or more than the green sands facility at Bemis.
- As a look ahead the discussion on proposed sewer rates, Ken reminded the Board that we need to start dealing with the deferred impacts of having under-bettered sewer projects many years ago. The town accountant estimated that the impact of this practice could be as high as \$60k/year for the next 10 years.
- There was a general discussion about refinancing betterments from the 4% rate down to 2%. It was pointed out that the bettered debt was general obligation municipal bonding, and not the low interest SRF loans, so bettering 4% could be tough. Joe added that the town refinanced 7 loans in FY17. The town accountant added that refinancing could impact the pre-negotiated covenants with all the bettered customers, adding that there were multiple loans (projects), rates and terms to contend with as well.
- Ken noted that while receivables were up due to increased consumption during the pandemic, actual cash flow was down for the same reason, and this was being complicated by the town's decision to suspend termination for non-payment as a collection technique. There was a brief discussion about liens, MLC's and efforts to collect as much outstanding water and sewer money as possible during real-estate closings.
- Ken noted that although we are recommending water and sewer rate increases, we did not expect to raise rates for the Transfer Station or Stormwater funds.
- Joe said that it would be beneficial to have the public rate hearing in March so that the staff would have time to adjust the billing software and run test environments to validate the changes before the May billings.
- George Clark asked about revising the water tiers. Tom did not think there was sufficient time to discuss the issue thoroughly at this meeting. Joe said he recalled a

desire to have a single tier water rate, and that would be relatively easy to accomplish. Paul Brinkman said a single tier water rate would adversely and disproportionately impact the low-consumption customers, and suggested simplifying the tiers from 5 to perhaps 3. He did advocate for a single tier sewer rate.

- Paul also noted that this was probably not a good time to adjust tiers in that we have just begun to compile good consumption data, and the past years results were probably not valid due to the impacts of Covid, i.e., home confinements, etc., skewing the consumption numbers.
- Joe added that any adjustment of the tiers would require reworking the application of base charges. Currently large multi-unit customers are billed single base charges, but the threshold for their tiers is multiplied by the number of dwelling units.
- Tom agreed that the evaluation of the water and sewer tiers should be deferred until 'normal' levels of consumption return.

**Adjournment:**

Paul Brinkman made a motion to adjourn, Pat Harrington seconded the motion.

The following roll call vote was taken:

Pat Harrington – Aye

Paul Brinkman – Aye

George Clark – Aye

Lewis Lunn – Aye

Tom Nephew - Aye

The motion passed unanimously and the meeting was adjourned at 6:46.

Respectfully submitted,  
Kenneth Kalinowski, PE  
Director of Public Works