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**EXECUTIVE COMMITTEE MEETING
FRIDAY, MARCH 11, 2011
ADVISORY BOARD OFFICE
MINUTES APPROVED AT THE APRIL 15, 2011 MEETING**

Present: Andrew DeSantis, CHELSEA; Jay Fink, LYNN; Katherine Dunphy, MILTON; Wiff Peterson, NATICK; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; John DeAmicis, STONEHAM; Carol Antonelli, WAKEFIELD; Walter Woods, WELLESLEY; Zig Peret, WILBRAHAM.

Also in attendance, John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Matthew Romero, Maggie Atanasov and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF; Cornelia Potter, MWRA ADVISORY BOARD CONSULTANT.

I. Approval of the January 14, 2011 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:36 a.m. A Motion was made **TO APPROVE THE JANUARY 14, 2011 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Preliminary Discussion on the Advisory Board's FY12 Budget

MWRA Executive Director Joseph Favaloro provided the members with the Advisory Board's draft/preliminary Operating Budget for FY12. The concepts mentioned last year about a multi-year strategy to reduce costs have provided a benefit. The Advisory Board's move, which has proven to be successful, has saved money. The reorganization of staffing for the office has also proven to be successful. Staff hopes to continue to drive the bottom line number down.

As we move toward the end of the year, staff will provide information on the capital budget, which is made up of funds that have been set aside for capital investments; an accrued payroll liability account to keep the Advisory Board in line with accrued balances for sick and vacation time; as well as the legal fund.

The capital budget was used this year for the purchase of new computers, the moving costs for the office and some electrical costs at the new location. The legal fund has not been touched but is there if the Advisory Board should have to litigate in regard to the NPDES permit if co-permittees become an issue.

For the capital budget, staff has been debating back and forth about information storage. Should the Advisory Board go with a capital expense to buy a new server, which would be a \$5,000+ financial commitment? Thanks to Matt Romero's work, the Advisory Board may start a trend here that could carry forward to the Authority. Why do we need these big servers to store information? Technology is changing such that for around \$250 to \$500 a

year, offsite storage can be utilized; it is secure, safe and it makes sense. The preliminary operating budget reflects some additional costs for leasing to purchase offsite storage rather than to spend \$5,000 on the capital side. Mr. Romero added that the useful life of the \$5,000 server was three years, at which time another \$5,000 would need to be spent. The use of offsite storage at \$500 per year, as long as we are satisfied with the security protocols, is a “no brainer.”

Mr. Favaloro said the Advisory Board practices what it preaches, which makes it easier to make the tough statements to the Authority because we do them here first.

Bernie Cooper asked if it is offsite storage somewhere in the cloud or is it literally disks bought offsite somewhere. Mr. Favaloro said it is in the cloud. It is cheap but, more importantly, it is secure.

The budget will be refined a bit further; for the purpose of budgeting, staff has told the Authority to level fund the Advisory Board.

Additionally, Mr. Favaloro noted that the FY10 Audit came back with no findings.

III. Legislative Update

Mr. Favaloro said it has been a busy month. Since the end of February, MWRA and Advisory Board staff have done about fifteen legislative visits, meeting with everyone in leadership on the House side. Meetings have now begun with all of the freshmen Representatives. It is a strategy that has served us well because the freshmen eventually become the Speaker of the House. The freshmen are the most eager to absorb information since it is their first time through the process. The message staff has put forth is that we know that times are tough; however, we want to ensure a continued commitment to the Debt Service Assistance (DSA) line item so it is not lost.

Additionally, staff spent time talking about the Bottle Bill expansion. If something does come out of the House, though the Speaker has said he doesn't believe that will be the case, we have asked that a piece be allotted for DSA.

In the next week, discussions will begin with Senate Ways and Means Chairman Stephen Brewer regarding the fringe rate for the Division of Water Supply Protection, including the sum of money that has accrued and staff will work to do some “horse trading” behind the scenes for a commitment to use the accrued funds to take care of some of the Clinton Wastewater Treatment Plant issues and invasive species issues.

IV. FY12 CIP/CEB Review Process

Matthew Romero said staff has finished all the CIP briefings and has just begun CEB briefings with Authority staff. Last month we pointed out the large issues on the CEB side and we don't see any of those changing. Staff is hearing a bit more on what the

Authority's approach is going to be to try to safeguard its position on some of the line items that the Advisory Board believes can be pushed back on.

On the CIP side, the Authority is just rounding out a five-year cap and has done well in holding to the cap. As of now, mandated spending on CSOs continues to be a large driver. Moving forward into the next cap period is when the Authority will begin to see more flexibility to begin making decisions on how to prioritize its dollars because they will no longer be mandated to spend that kind of money on CSOs.

With all the asset protection projects that the Authority has, which project should be done first now that the MWRA has the luxury of deciding which projects to put into its budget? The Advisory Board's aim for this review is to get Authority staff to start to think about the next cap period and its long-term spending and how they are going to shape that. More importantly, because capital spending reflects debt service that needs to be borrowed and layered on top of that mountain of debt, deciding on what the right level of capital spending is from year to year is critical. Advisory Board staff hopes to have what it thinks should be the right target level for capital spending by next month. Just because the Authority has been spending a little less than \$200 million per year, including mandated spending, doesn't mean that it should replace all of its mandated dollars with other dollars. What is the right level of spending that still protects the system and maintains the things that must be maintained but still provides relief for the ratepayers by not layering more debt on top of that mountain.

Next month staff will have more detail on both the CIP and CEB sides as far as specific dollar recommendations and larger messages as well.

V. Operations Committee Preview

Mr. Favaloro said a few months ago the Authority flagged its desire to better understand spending on the two local financial assistance programs – the I/I Grant/Loan Program and the Local Water Pipeline Improvement Loan Program because spending has been significantly smaller than they thought it would be. Staff is planning to convene the Operations Committee to try to get answers to these questions. Carl Leone and Authority staff will speak about where the programs are at this point.

More importantly, staff wants to discuss ways to make the programs work better for the communities. Are there obstacles in the communities that are not allowing them to spend to the levels that the Authority thought they would?

This program is critical to communities and important to the MWRA on how it manages its system. It is important for the Advisory Board to understand because it does have an impact on what the debt service number in the CEB is going to look like.

Jay Fink said with the construction season upon us, can we ask Carl to reach out to the various communities to see what their anticipated spending is for this year. Mr. Favaloro said he has done some of that but will check to see if those numbers are rock solid.

Chairman Dunphy asked if the Authority can check with communities that are not planning to do a lot to ask the reason why. Mr. Favaloro said, in an attempt to be fair, part of the answer may be that the Authority spread it wrong because a lot of communities can't spend their final round of water money until they spend their previous rounds of pipeline money. Staff would like to know if it is just a spreading issue versus problems on the community side on spending.

VI. Process to Elect Advisory Board Representative to the MWRA Board of Directors

Mr. Favaloro stated that each Advisory Board representative to the MWRA Board of Directors is on a three-year cycle and there is an election each year. John Carroll's term expires this year and he has decided to seek an additional term.

The elections are normally held in May; however, our meeting location has fallen through. The Wellesley Free Library has bumped the Advisory Board meeting for May and staff is scrambling to find a new location. It is the one meeting that needs a quorum of 33 voting members. If we are forced to go back to Southborough, we would not likely have a quorum. The June meeting is in Canton, which is always well attended, and can be the fallback if something doesn't develop.

Chairman Dunphy suggested the Old Waterworks Museum at Chestnut Hill that has a meeting room for non-profit organizations. Mr. Favaloro said he would look into it.

VII. NPDES Update

Mr. Favaloro noted that EPA is doing a listening session on March 21 at the McCormack Building. The talk is on President Obama's proposed changes at EPA. Most of the changes he is advocating are really not for water and sewer but it should be on the radar screen for communities.

Additionally, there is a registration for a workshop with EPA on storm water issues that will be held at the MWRA Operations Facility in Chelsea on April 27. Storm water will be the issue for the next decade and it has huge financial implications.

Staff has heard that EPA has pulled the Clinton NPDES permit because they are revisiting the co-permittee issue. For the short term, the Clinton permit is not going to happen soon; therefore, the Deer Island permit is not likely to be coming anytime soon as well.

Andrew DeSantis said the MS4 storm water permit was initially issued in 2003 and expired in 2008. Public hearings were held on it about a year ago and they expect to have the permit out sometime this summer. There is a whole list of things you have to do now with

storm water including sampling. Initially it will cost easily a quarter of a million dollars per community on an annual basis for implementation. The more outfalls you have, the more it will cost. Chelsea has 18 outfalls. Lou Taverna noted that Newton has 155 outfalls. Mr. DeSantis said it is a broad brush and everyone has to do the same thing, which doesn't make a lot of sense even if you don't have the documented problems, particularly with SSOs. EPA is pushing to decrease the SSOs.

VIII. Updates

Mr. Favaloro said there was a news story yesterday about flooded areas on Oak Street in Weston. It was a contractor issue; Barletta, who is working on the Hultman, had a plug that let go and they have addressed the issue. There will likely be insurance claims but they will go against the contractor, not the MWRA.

Additionally, the *2010 Water & Sewer Retail Rate Survey* has gone out and is now online. Staff has done a press release that got picked up by the *Globe*, *Patriot Ledger*, *MetroSouth* and *MetroWest*.

The message the Advisory Board wanted to send out was grasped – rising costs and reduced usage will require the need to sell more water.

Staff would like to put System Expansion back on the table for discussion. Tri-Town (Braintree-Randolph-Holbrook) is still in talks about water. Staff met with Mayor Sullivan of Braintree last week and will be meeting with Randolph and Holbrook in the coming weeks.

The second Tri-Town – the former So. Weymouth Naval Base (Southfield) – is also another potential water customer, along with the Town of Ashland.

In regard to entrance fees, Bedford and Reading paid nearly \$8 million each; Dedham-Westwood will be making its final payment this year. Annually, for the next 20 years, Stoughton and Wilmington will be making their payments toward their entrance fees. It would not be easy to forgive entrance fees moving forward.

Chairman Dunphy said when Stoughton came in, at the last minute, they had legislation to eliminate the entrance fee and the Advisory Board took the position that it would be unfair to eliminate the entrance fee. If we tried to change it now, we would likely have a real problem with at least one legislator.

Wiff Peterson asked where the entrance fees come in financially. Mr. Favaloro said the entrance fees are used to offset the debt.

Mr. Favaloro said System Expansion will be on the agenda for a full discussion next month.

The staffing study award will go to the MWRA Board of Directors next week.

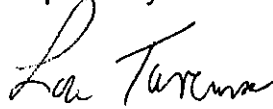
IX. Approval of the Advisory Board Agenda for March 17, 2011

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE MARCH 17, 2011 MEETING**. It was seconded and passed by unanimous vote.

X. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:45 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Lou Taverna".

Lou Taverna, Secretary