MWRA Advisory Board Summary
of the
MWRA Board of Director's Meeting
Wednesday, October 14, 2009

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on October 14, 2009 at the Quabbin Reservoir Visitor Center. **Present:** Joel Barrera and Michael Gove, Gubernatorial Appointees; John Carroll, Andrew Pappastergion, and Joseph Foti, MWRA Advisory Board Representatives; Vincent Mannering and James Hunt III, City of Boston Representatives; Jack Walsh, City of Quincy Representative; Marie Turner, Town of Winthrop Representative. **Absent:** Chairman Ian Bowles, Gubernatorial Appointee; Kevin Cotter, City of Boston Representative.

The committee meetings were consolidated into the full Board meeting.

Bill Pula, Regional Director of the Quabbin Reservoir and Ware River, welcomed the Board Members and attendees to the Quabbin. He noted that the Visitor's Center is on the southern end of the reservoir and from its vantage point visitors can see about 10% of the reservoir. He noted that staff from the Department of Conservation and Recreation (DCR) Division of Water Supply Protection (DWSP) would be offering tours of the car wash site, which is home to the boat decontamination program.

REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Fred Laskey told Board members that 9C cuts are underway on the state level. He stated that he was not optimistic about maintaining Debt Service Assistance funding. He stated that the Bottle Bill hearing was held this month. The Advisory Board testified in support of the bill and he is meeting one on one with legislators on the committee. Mr. Laskey noted that the Authority was watching the bill, H.834 the Water Resources Bill, which would require the Fish & Wildlife Department to study rivers and downstream releases. He stated that the Secretary has announced an administrative task force to look at the issue.

Board Member Joel Barrera asked if the Board adopted an official position on the bill. Mr. Laskey responded that there was no official position but the bill isn't moving yet. He stated that staff would give a full report on the bill in November.

Mr. Laskey stated that the system expansion task force was currently in the scheduling process. He also mentioned that Lawrence Susskind of the Consensus Building Institute was in the process of scheduling meetings with individuals as the preliminary to the facilitated discussion of system expansion.

Mr. Laskey briefed the Board members on a letter from the Advisory Board, which indicates that the Advisory Board Executive Committee suggests level-funding of the rate revenue requirement for FY11. He thanked the Advisory Board for giving the Authority an advance notice of the intended recommendation. He noted that the approach would change the multi-year approach of smoothing the rates. Board Member Joe Foti said the communities are in incredibly difficult situations right now; the MWRA needs to look at this approach seriously. Mr. Laskey stated that there would be a good discussion about it.

A&F COMMITTEE

INFORMATION

REPORT ON LAWSON UPGRADE

The MWRA first implemented the Lawson's Enterprise Resources Management (ERP) system in 1999. The Lawson ERP core system supports numerous functions. Lawson serves as a hub for core applications and data, and exchanges its data with numerous other applications to provide enhanced functionality to MWRA staff.

All viable applications typically require periodic minor or significant upgrades over time to enhance functionality, introduce new technology, and maintain vendor support. The Lawson system upgrade was a significant one and it was required to maintain vendor support. The upgrade introduced new infrastructure software, required a new hardware platform, and was rolled out in three logical tiers.

As with any ERP implementation, certain custom configurations, codes, reports and interfaces are required. Today, with the addition of more interfaces such as the MAXIMO interface, the customization percentage is currently at 12.88% for reports, processes or screens.

The current Lawson upgrade was successfully completed as planned. The upgrade process took place from November 2007 through May 2009 with the Lawson Application successfully upgraded to Lawson Portal 9.0 over the Memorial Day weekend 2009. This 18-month implementation period was consistent with MWRA's Business Plan.

The following purchase orders totaling $1,149,470 were issued to complete the upgrade:

1.	Hardware and Operating System Upgrade	$399,995
•	Install & Configure	$27,800
•	Tape Backup and Recovery upgrade	$74,115
2.	Environment Upgrade	$240,500
3.	Applications Upgrade	$227,720

Board Member Vincent Mannering asked what business practices were modified to avoid customization. Joe Barrett, Acting MIS Director, responded that there were not significant business processes modified, rather there were minor ones. He noted that staff tried to use the software out of the box as much as possible.

Mr. Mannering stated in 2002, staff was going to design business processes to fit this software without customization. What was changed regarding business practices? Mr. Barrett responded by default, staff used "canned" best practices approaches. Most of the customization involved reports (i.e. Human Resources payroll). Mr. Mannering said that he did not see any documentation on changed business practices.

DELEGATED AUTHORITY REPORT

Staff presented a listing of delegated authority actions over $25,000 for the period September 1 through September 30, 2009. This report is broken down into two sections: construction/professional services and purchasing.

CAPITAL PROJECTS BIDDING CLIMATE

Over the last several years, MWRA has been receiving construction contract bids that, in general, have been coming in below the Engineer's Estimates. At the Board's request, staff performed an analysis to determine whether or not it is more economical to MWRA's ratepayers to defer capital projects or bid them now, given the current economic situation and the recent low bids received from contractors and consultants. Staff's conclusion is that continued bidding in the current economic climate is advantageous to MWRA and its ratepayers.

During the two-year period of FY08 and FY09, MWRA analyzed 52 awarded capital budget contracts, including construction-phase professional services and construction contracts with a total value of $223 million.

A recent article in Engineering News Record describes experiences of public agencies in other regions of the country receiving bids an average of 20% below Engineer's Estimates. Staff expect continued competitive bid prices and a high number of bidders for both professional engineering and construction services on MWRA projects, at least in the near future. While the competitive bidding climate will result in lower-cost contract awards, MWRA will need to be extra vigilant in overseeing the quality of the constructed product. In addition, it is likely that change order requests and claims will increase as a result of the lower bids.

Mr. Barrera asked if this was the time to accelerate projects. Charles Button, MWRA Deputy Chief Operating Officer, responded that the Authority should not cut back on projects. He said the Authority should work within the cap, continue with current plans and take a look at it every few months to evaluate.

Mr. Hornbrook said that some programs are accelerated to meet the Federal stimulus requirements. He noted that the Authority was at capacity with what could currently be done and that this pace is optimal.

Board Member Andrew Pappastergion asked why the budget estimates haven't been adjusted to show new pricing trends; they are still reflecting old costs. Mr. Button responded that the engineer's estimates reflect the current trend.

Mr. Gove questioned why it is important for engineer's estimates to be close to the bids. Mr. Button responded that it is a reality check to make sure the bid makes sense.

Board Member Jim Hunt said if there is a 20% savings, the key is to accelerate projects. He asked if staff has done a full analysis to squeeze out everything that can be done. He stated that he was not suggesting more projects, rather getting the most for the money.

Chief Operating Officer, Michael Hornbrook responded that the Authority was on pace to meet Federal stimulus requirements. Mr. Laskey noted that some projects are accelerated.

Joseph Favaloro, Executive Director of the MWRA Advisory Board, stated that the other part of the discussion is that while it is great to get good bid prices, there are change orders and other factors to consider. He said the Authority has to be diligent about the final number in the end to determine if the savings are real. Mr. Favaloro asked if the Authority can afford to borrow more money faster even if it is a good bidding environment.

Mr. Button responded that staff has been conservative in bringing change orders to the Board.

FY10 FINANCIAL UPDATE AND SUMMARY AS OF SEPTEMBER 2009

Staff provided a financial update and summary through September 2009, comparing actual spending to the FY10 budget. Through September 2009, total revenue was $148.5 million, $111,000 or 0.1% less than budget. Total expenses were $138.3 million, $7.5 million or 5.1% less than budget.

The excess revenue to expenses of $7.4 million is the result of lower Debt Service Expenses of $4.5 million due to lower variable rate debt expense; lower Direct Expenses of $2.6 million mostly for maintenance and chemicals, largely related to timing; and lower Indirect Expenses of $392,000, offset by lower Revenue of $111,000.

Mr. Laskey stated that through the first quarter, numbers are breaking our way; any surplus will be used to mitigate rates in FY11 & FY12.

HISTORICAL TRENDS FOR WAGES AND SALARIES

Staff provided a comprehensive review of wages and salaries trends during FY97-FY09 with emphasis on regular pay.

Board members inquired as to why the Wages and Salaries line item had increased over the past few years despite the dramatic reduction of staff. Staff conducted an analysis of staffing and corresponding regular pay for the past twelve years and determined that between FY97 and FY09, despite a reduction in headcount of 536, there was a $7.5 million increase in regular pay. Staff determined that this net increase in regular pay was the result of contractually mandated wage increases in the form of Across-the-Board (ATB) increases, which averaged approximately 3% since FY97, as well as step increases and longevity increases.

The wages and salaries line item is comprised of regular pay, which makes up 98% of total wages and salaries; temporary employees; interns; holiday pay; shift differential; and stand-by pay.

During the period of FY97-FY09, MWRA reduced its average headcount from 1,768 to 1,232, a net reduction of 536 positions. This represented a 30.3% reduction in average headcount. During this period, expenses for regular pay rose 9.4% from $79.6 million in FY97 to $87.1 million in FY09, a net increase of $7.5 million or a yearly average of 0.8%.

The major contributing factors to the increase in regular pay was negotiated ATB increases and annual step increases due to employees who had not yet reached the maximum pay steps of their pay schedule. Had it not been for the reductions in headcount, staff estimates that the total increase in regular pay between FY97 through FY09 would have been $337.7 million. Instead, the increase was $7.5 million due to the savings associated with lowering the headcount during this period, which amounted to $30.2 million.

The Authority strives to control staffing levels and reduce costs. Beyond the normal attrition and replacing only critical positions, the MWRA offered early retirement, instituted layoffs, implemented cost improvement initiatives through restructuring and cross training of staff while assuring that the core mission of the Authority of providing reliable, cost effective, high quality water and sewer services is not compromised. The result of this effort was that the Authority saved $30.2 million in the FY97-FY09 timeframe on regular pay.

Board Member Michael Gove asked if the Across-the-Board numbers included everyone. Kathy Soni, Budget Director, responded in the affirmative. Mr. Barrera noted that the Authority was headed into contract negotiations and that state employees have received no COLAs, etc. He asked what the strategic plan is for MWRA employees. Bob Donnelly, Director of Human Resources, responded that all those factors are taken into consideration.

Mr. Laskey stated that staff are developing strategies and trends to approach negotiations. Mr. Donnelly noted that 4-5% is the average step and the Authority only has a few employees left on steps. Each union determines how many steps there are. Mr. Laskey noted that once locked in as a manager, there are no steps. He noted that staff was thinking of doing a compensation study with a consultant.

Mr. Carroll asked how much of the workforce is unionized. Mr. Laskey responded that there are about 70 employees who are not unionized, the rest are.

UPDATE ON PENSION AND OPEB FUNDING

Staff provided an update on the funding requirements and status of both the MWRA Retirement System and the Other Post-Employment Benefits (OPEB).

The MWRA Employees' Retirement System (System) was established by section 7d of MWRA's Enabling Act. It is a contributory retirement system governed by Chapter 32. The System distributes a monthly pension payroll of approximately $600,000 to approximately 288 retirees. The System receives funds from three sources: Employees, Investment Income, and Employer Contribution.

As of January 1, 2009, the Actual Accrued Liability is $79.2 million, which is the difference between the actuarial value of the assets ($222.5 million) and the actuarial value of the liabilities ($301.7 million). The

MWRA System's funding ration of assets to liabilities is 73.8%, having fallen from 82.7% two years earlier. This drop is due to the System's 22.3% investments loss in calendar year 2008.

Despite the 2008 losses, the System ranked 10th highest of all Massachusetts PERAC governed systems and has earned an annualized return of 8.93% since inception in 1986. The System is making up some of the ground lost in 2008, having earned 15.4% as of August 31, 2009, increasing the investment pool by a projected $32.3 million for the calendar year.

To date, MWRA has transferred $10.4 million in optional payments to the pension fund to reduce its unfunded liability.

In Fiscal Year 2008, the Authority implemented Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement No. 45 requires governments to account for other post-employment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The actuarial determined Annual Required Contribution (ARC) has two components: Normal Cost and Actuarial Accrued Liability.

In 2008, the Authority's ARC was $15.1 million. The NET OPEB Obligation grew to $29.2 million as of June 30, 2008. In FY10, the Authority opted to reserve the $800,000 in savings associated with the lower required employer contribution ration for current employees' health care for OPEB. However, given these funds have not been segregated into a dedicated account outside of the reach of creditors, such as an irrevocable trust, these funds are not an allowable offset to the FY10 OPEB liability per GASB rules.

In July 2008, the Board of Directors voted to adopt a funding strategy to view the Pension and OPEB unfunded liabilities holistically and pay down these liabilities in succession. The original funding strategy depicted sending the full dollar value of the prefunding OPEB ARC to the pension fund annually thereby decreasing the pension fund's amortization schedule to five years. Since then the economic climate has changed dramatically. The pension fund experienced significant losses in 2008, which resulted in a larger liability than originally projected in July 2008. In addition, the current economic environment has made raising the additional revenue necessary to cover the full OPEB prefunding ARC as an optional payment less feasible. However, MWRA has continued to follow the spirit of this funding strategy and has realized tangible benefits in reducing its pension system's unfunded liability with the optional payment made to date.

The Approved FY10 CEB includes $8.4 million for the pension fund, $2.1 million for OPEB pay-as-you-go costs, and the $800,000 budgeted to be reserved for the OPEB liability.

Mr. Mannering asked if any other entities were funding OPEB. Robert Belkin, MWRA Controller, responded that some authorities are and a few cities and towns are, but most are not.

Tom Durkin, MWRA Treasurer, said the strategy has been to think holistically about the pension and OPEB funding – they are two sides to the same coin.

APPROVALS

DELEGATIONS OF AUTHORITY UNDER THE BOARD'S MANAGEMENT POLICIES

The Board voted to adopt the proposed revisions to the Management Policies of the Board of Directors for: (1) the administration and management of Construction Change Orders (Article V.E.2 – Delegated Authority, Construction Contracts); (2) the acquisition of non-professional services (Article V.E.3 – Delegated Authority, Professional and Non-Professional Service Contracts); and (3) amendments to the Position Control Register (Article II.G.3).

The Board instructed staff to conduct a broader review of all delegation issues that might need attention and revision and return with recommendations. Representatives of Internal Audit, Finance, Procurement, Operations, Human Resources and Law Division, have completed a review of all delegations set out in the Board's Management Policies.

Authority to Award Change Orders: Staff recommend that the offsetting or netting of cost increase changes and cost credit changes be prohibited and that the two actions be treated differently.

Non-Professional Services: Since non-professional service contracts are normally awarded to the lowest responsive and responsible bidder, staff recommend that the existing delegation of authority to the Executive Director for non-professional services, whether obtained by contract or purchase order be amended to $250,000, whether bid by Purchasing or by Contracts.

Amendments to the Position Control Register (PCR): Staff make two recommendations concerning amendments to the PCR. The first would provide that the Executive Director or his designee may approve amendments to the PCR that involve only a change in cost center location for a position, as requested by the Board. The second recommendation is to increase the annual salary level threshold from $65,000 to $85,000, at or above which a position may not be advertised until the Personnel Committee of the Board approves the amendment.

These changes will have no budgetary impacts.

CONTRACT AWARDS

FINANCIAL ADVISORY SERVICES: THE PFM GROUP, CONTRACT F207

The Board voted to approve the recommendation of the Consultant Selection Committee to select The PFM Group to provide Financial Advisory Services and to authorize the Executive Director, on behalf of the Authority, to execute Contract F207 with the PFM Group in an amount not to exceed $527,735 for a term of four years from the Notice to Proceed.

MWRA requires the services of a financial advisor to assist with strategic financial planning and the issuance of debt associated with its multi-billion dollar capital program. The financial advisor will assist the MWRA with the development of a long-term plan of finance, and debt issuances, including assistance with structuring the bond transaction, review and analysis of market conditions, and ongoing management of the debt program.

Two bids were submitted in the procurement process; PFM’s proposal offered the lowest cost to MWRA. PFM’s senior personnel are qualified and possess the necessary experience to provide financial advisory services to MWRA. PFM has served as one of MWRA’s financial advisors for the last four years and their performance has been excellent.

The costs associated with financial advisory services are split between the cost of issuance for a related bond transaction and the current expense budget depending on the task. There are sufficient funds in the FY10 CEB to pay for the work under this contract.

WASTEWATER POLICY & OVERSIGHT COMMITTEE

INFORMATION

MWRA INDUSTRIAL WASTE REPORT #25: INDUSTRIAL PRETREATMENT PROGRAM ANNUAL REPORT TO EPA FOR FY09

MWRA is required by its NPDES Permit and EPA regulations to submit an annual report to EPA that describes the activities and accomplishments of MWRA’s Industrial Pretreatment Program. Industrial Waste Report #25 documents MWRA’s FY09 efforts to control current permitted sewer users. MWRA’s Toxic Reduction and Control (TRAC) section operates the Industrial Pretreatment Program to control the level of toxic substances discharged into the sanitary sewer system from commercial and industrial sources.

Staff estimate that approximately 3% of the total flow to the treatment plants comes from permitted facilities but this flow represents a significantly higher proportion of toxics discharged to the system. TRAC currently oversees approximately 1,270 permitted sewer users, of which 219 met EPA's definition of Significant Industrial User during FY09.

Some highlights from TRAC's FY09 activities include:

- TRAC issued a total of 184 early enforcement actions to industrial and commercial facilities in FY09 (down from 276 in FY08), and 53 higher-level enforcement actions, compared to 67 in FY08.
- During FY09, MWRA's biosolids met all applicable federal and state standards for unrestricted use as a fertilizer. This includes meeting the state standard for molybdenum for the entire fiscal year for the first time since 1998.
- Final acceptance of the Pretreatment Information Management System (PIMS) did not occur in FY09 as anticipated. Staff continued to work closely with MWRA's Consultant, Inflection Point Solutions, to replace TRAC's 16-year-old "TRAC Information System" with the new PIMS.
- MWRA's Incentive and Other Charges Program continued to recover a substantial portion of MWRA's costs of inspecting, monitoring, and permitting industrial sewer users. In FY09, TRAC collected approximately $1,827,500 from permit holders compared to $1,844,000 in FY08. Collections are at more than 99% of the adjusted amount invoiced.
- Staff completed a review of MWRA's Incentive and Other Charges Program and adopted changes to the regulations, including an across-the-board 4.5% increase to permit and monitoring charges in each of the fiscal years FY10, FY11 and FY12.

TRAC's FY09 Current Expense Budget was $3,504,025, approximately 56% of which was recovered through permit changes and penalty collections.

CONTRACT AWARDS

INSTRUMENT MAINTENANCE FOR THE DEPARTMENT OF LABORATORY SERVICES AT DEER ISLAND: PERKIN ELMER LAS, INC.

The Board voted to approve the award of a sole-source purchase order to provide instrument maintenance for the Department of Laboratory Services at Deer Island to Perkin Elmer LAS, Inc. and to authorize the Director of Procurement to execute said purchase order in the amount of $86,438.40 for a period of two years, from November 1, 2009 through October 31, 2011.

The Department of Laboratory Services' central lab on Deer Island has six complex Perkin Elmer analytical instruments that are used on a daily basis to perform tests and generate information that documents MWRA's compliance with the reporting requirements and limits established by outside regulatory agencies.

The Lab's Perkin Elmer instruments were all purchased with an extended manufacturer's maintenance agreement. Each year since the initial maintenance agreements expired for these instruments, MWRA has renewed the agreements with the original vendor to ensure that the highest quality maintenance service, parts availability and overall customer service is provided. Staff have confirmed that Perkin Elmer is the only firm that can provide 100% of the factory expertise, parts availability, service support, and response time necessary to meet MWRA's requirements. Perkin Elmer does not certify third-party technical service. The Director of Procurement has approved Perkin Elmer as the sole source provider for this contract.

In an effort to secure more favorable pricing from Perkin Elmer, staff requested that Perkin Elmer consider a two-year term. The Purchasing Unit received a revised proposal from Perkin Elmer for $86,438.40 for two years (from its original one-year quote of $43,219.20), providing price protection for the second year, this avoiding an approximate 5% increase.

There are sufficient funds for the first year of this purchase order in the DLS's FY10 Current Expense Budget. Appropriate funding for the remaining term of the contract will be included in subsequent Proposed CEB requests.

NORTH DORCHESTER BAY VENTILATION BUILDING: P. GIOIOSO & SONS, INC., CONTRACT 7259

The Board voted to approve the award of Contract No. 7259, North Dorchester Bay Ventilation Building, to the lowest eligible and responsible bidder, P. Gioioso & Sons, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of $5,162,500 for a term of 550 calendar days from the Notice to Proceed.

The North Dorchester Bay CSO Control Plan is intended to eliminate CSO discharges and greatly reduce storm water discharges to South Boston beaches. After the project is constructed, beach closings will be a very rare occurrence – approximately once every five years.

Contract 7259 was advertised and competitively bid; bids were received from five contractors. P. Gioioso & Sons, Inc.'s bid is approximately 10% lower than the Engineer's Estimate and 10% lower than the second-lowest bidder. Based on a comprehensive review of the bid and subsequent discussions with Gioioso, MWRA staff and the Design Engineer have determined that the bid price is reasonable and Gioioso understands the full nature and scope of the work and can complete the project for the bid price.

Contract 7259 was bid in compliance with all requirements of the American Recovery and Reinvestment Act of 2009 (ARRA) and is, therefore, eligible for federal stimulus funds in the form of principal forgiveness loans through the State Revolving Fund.

CONTRACT AMENDMENTS/CHANGE ORDERS

SUPPLY AND DELIVERY OF HYDROGEN PEROXIDE TO THE DEER ISLAND TREATMENT PLANT: U.S. PEROXIDE, WRA-2799, AMENDMENT 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 2 to increase the amount of Purchase Order Contract No. WRA-2799 with U.S. Peroxide, Supply and Delivery of Hydrogen Peroxide to the Deer Island Treatment Plant, in the amount of $140,720.

Chemical pretreatment with hydrogen peroxide is required to control elevated hydrogen sulfide levels in Deer Island's influent, which are typically high during summer and early fall months. Purchase Order Contract WRA-2799 is a two-year contract to supply and deliver hydrogen peroxide to the Deer Island Treatment Plant; the contract will expire on March 31, 2010. Actual usage of hydrogen sulfide is largely dependent on weather conditions during the summer months.

On September 26, 2008, the Executive Director, under delegated authority, approved amendment 1 for an additional 80,000 gallons. Actual usage of hydrogen peroxide reached 157,814 gallons during the first year of the contract. In 2009, hydrogen peroxide use on Deer Island increased substantially during portions of the latter part of the summer. To ensure an adequate supply of hydrogen peroxide, staff recommend adding an additional 80,000 gallons to the contract.

MWRA staff have been satisfied with the product and delivery service provide by U.S. Peroxide. The additional cost resulting from Amendment 2 will be absorbed within Deer Island's FY10 Current Expense Budget. The current contract price is $1.759 per gallon, which staff believe represents a good value for MWRA.

WATER POLICY & OVERSIGHT COMMITTEE

APPROVALS

MEMORANDUM OF AGREEMENT BETWEEN MWRA AND THE TOWN OF MILTON – SOUTHERN SPINE DISTRIBUTION MAINS, SECTION 107, PHASE 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a Memorandum of Agreement with the Town of Milton for the cost sharing and coordination necessary for the inclusion of replacing 9,200 linear feet of local Milton water main as part of MWRA's Contract 7099, Southern Spine Distribution Mains, Section 107 Phase 2.

The $75 million Southern Spine Distribution Mains Project involves the rehabilitation and/or replacement of three water transmission mains, Sections 21, 22 and 43, serving the communities of Boston, Milton and Quincy. This project is needed to modernize the water distribution system, provide adequate capacity for these communities, and service the new Blue Hills Covered Storage Facility. The project consists of five construction contracts with Black & Veatch, Inc. as the lead Design Consultant.

The Town of Milton has expressed concern about the potential damage that may occur to its 100-year-old, 8-inch, lead-joint water main, which is located on top of and adjacent to the proposed alignment of MWRA's 48-inch water main. Milton is also interested in increasing its existing line. MWRA staff initiated discussions with the Town of Milton to explore the possibilities of combining the design of both water main projects into one construction contract, which would accomplish both parties' goals.

The approved FY10 CIP includes $19,400,000 for Contract 7099; staff have determined that this is sufficient for work included in Contract 7099. The project budget will be updated based on actual costs for the addition of construction costs for the Town of Milton's 12-inch water main with the assumption that Milton would be responsible for paying its proportionate share of the cost.

CONTRACT AWARDS

SUPPLY AND DELIVERY OF SODA ASH TO THE JOHN J. CARROLL WATER TREATMENT PLANT: FMC CORPORATION, WRA-3039

The Board voted to approve the award of Purchase Order Contract WRA-3039 for the Supply and Delivery of Soda Ash to the John J. Carroll Water Treatment Plant to the lowest eligible and responsible bidder, FMC Corporation, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said purchase order contract in an amount not to exceed $10,620,000 for a term of three years, from January 1, 2010 through December 31, 2012.

MWRA uses sodium carbonate (soda ash) at the Carroll Water Treatment Plant for corrosion control. MWRA takes delivery of soda ash in powder form where it is stored in silos; it is fed into the system by dry feeders. Staff estimate that 12,000 tons of soda ash will be required each year during the three-year term of this contract.

Bid WRA-3039 was advertised and bid; three bids were received. The marketplace for soda ash is typically in a state of consistent strong demand. There are four main soda ash producers in the United States; MWRA received bids from three. Staff have reviewed all bids and determined that FMC Corporation's bid meets all of the requirements of the specifications. Staff have been satisfied with the product and service provided by FMC under its current and previous contracts.

There are sufficient funds included in Field Operations' FY10 Current Expense Budget for the first portion of this contract. Appropriate funding will be included in subsequent CEB requests for the remaining term of this three-year contract.

CONTRACT AMENDMENTS/CHANGE ORDERS

NORTHERN HIGH SERVICE, SECTION 53: ALBANESE D & S INC., CONTRACT 5177, CHANGE ORDER 1

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 1 to increase the amount of Contract No. 5177 with Albanese D&S, Inc., for a lump sum amount of $278,550.96.

Contract 5177 includes rehabilitation of Section 53 in Revere by slip lining 4,785 feet of new steel pipe within the existing pipe and cut-and-cover replacement of an additional 1,550 feet of pipe. The work also includes replacement of all valves, manholes and chambers, and the abandonment of Meter 184.

Change Order 1 consists of the following nine items:

• Perform Additional Work at Access Pits 7 and 10	$110,190.51
• Perform Additional Work at Access Pit 1	$86,629,82
• Furnish and Install Control Density Fill Material	$38,574.97
• Furnish and Install Concrete Thrust blocks at Access Pits 2 and 3	$21,642.05
• Remove and Replace Corrugated Pipe and Install Split PVC Pipe	$20,395.92
• Furnish and Install Ductile Iron Bends	$15,727.15
• Furnish and Install an Additional 31-Inch-Diameter Adapter	$8,774.37
• Increases/Decreases in Unit Price and Allowance Items	($21,883.83)
• Delete the Requirement to Abandon Meter 184 on Squire Road	($1,500.00)

The cumulative value of all change orders to this contract will total $278,550.96 or 10.47% of the original contract amount. Work on this contract is approximately 98% complete.

The FY10 CIP includes a budget of $2,659,000 for Contract 5177. Including this change order for $278,550.96, the adjusted subphase total is $2,938,026.96 or $279,026.96 over budget. This amount will be covered within the five-year spending cap.

PERSONNEL COMMITTEE

INFORMATION

EARLY RETIREMENT UPDATE

At the September meeting, the Board approved the state's Healthcare Contribution Program to allow MWRA employees to apply for retirement by October 1, 2009 in order to retain a 15% contribution level of healthcare insurance.

A total of 24 employees have indicated to Human Resources that they have filed by the October 1st deadline. To date, nine employees have already formally retired. Of the remaining 15 employees, six employees have indicated they will retire before December 31, 2009 and the rest have indicted a date in January 2010 or have not determined a definite date as of yet.

Board Member Joe Foti asked when it will be decided which positions to rehire. He stated that he would like to see a number of positions that staff is planning to back fill. He questioned how this would help the Authority in the long run.

Mr. Laskey responded that there are other vacancies in play. He said the plan is to take a look at the whole picture and present whole numbers and information. He indicated he would come back next month with a general plan.

QUASI-PUBLIC AUTHORITY COMPENSATION REVIEW COMMISSION REPORT

The Commission to Review Compensation Packages of Senior Officials at Quasi-Public Agencies recently issued its findings in a report entitled "Report of the Quasi-Public Authority Compensation Review Commission." The Commission made a number of recommendations for consideration of the Governor and the individual boards of the organizations that were included in the Commission's data collection and report.

The Commission collected compensation data from a total of 42 quasi-public agencies. These included a number of state authorities, regional transit authorities, and special purpose agencies. MWRA's base salary ranked 18th out of the total 27 agencies included in the analysis. MWRA's total compensation ranked 19th of the total 27 agencies and authorities. MWRA does not offer deferred compensation, longevity pay or bonuses.

Mr. Barrera stated that this is a helpful summary and that the MWRA looks good in the report. Mr. Barrera asked what deferred compensation means. Mr. Donnelly responded that deferred compensation is income that is paid out in a year after which the income is actually earned and that these plans allow an employee to defer the income for tax purposes to another year.

SENIOR MANAGEMENT COMPENSATION SURVEY RESULTS

Human Resources contacted a number of national water and wastewater organizations for the purpose of collecting and sharing executive compensation information for several senior management positions. The organizations were considered comparable to MWRA in terms of organization, services provided, population served and budget.

The organizations who participated in this survey were:

District of Columbia Water and Sewer Authority, Washington, DC
Seattle Public Utilities, Seattle, WA
East Bay Municipal Utilities District, Oakland, CA
San Francisco Public Utilities District, San Francisco, CA
City of Dallas, Dallas, TX

Survey participants were asked to provide compensation information for the positions that best matched the following MWRA position:

Executive Director
Chief Operating Officer
Managing Director
Director, Finance
General Counsel

Each participant was asked to report compensation details such as base salary, car allowance, deferred compensation, and bonus paid. Staff presented a survey analysis to the Board for comparison. The complete survey can be found on the MWRA Advisory Board website:
http://www.mwraadvisoryboard.com/ADBRD_Board_Summaries/2009_BOD_PACKETS/2009_10_14.pdf

APPROVALS

ORGANIZATIONAL CHANGES WITHIN MWRA

The Board voted to endorse the proposed organizational changes outlined in the informational staff summary dated October 14, 2009; further, to direct staff to provide the Board with an update on the implementation of the changes within the next six months.

Currently, MWRA is divided into five divisions: Executive, Operations, Finance, Support Services and Law. The Support Services Division is headed by the Managing Director, Kevin Feeley. After 24 years of dedicated and exemplary service to the MWRA, Mr. Feeley is retiring. Instead of filling that position, staff recommend eliminating the position of Managing Director and merging the Finance and Support Services Division to return to a more traditional Administration and Finance Division (A&F). Staff recommend that the proposed new division be headed by Rachel Madden, who currently serves as Director of the Finance Division. Staff also recommend the creation of a Deputy Director for the proposed new A&F Division. The Deputy Director would report directly to the Director of A&F and oversee several key administrative functions. The recommended candidate for the proposed position of Deputy Director of A&F is Michele Gillen.

The elimination of the Managing Director position, upon his retirement, would provide a savings of $145,333. This would be partially offset by the proposed salary adjustments of $29,881, with a net savings of $115,451, plus the cost of benefits. Further opportunities for consolidation of activities and functions will be reviewed over the next several months as the new Administration and Finance Division organizes strategies and plans for delivery of these critical financial and administrative services.

Mr. Mannering questioned why this needed a Board vote, instead of the Executive Director managing the changes on his own. Steven Remsberg, MWRA General Counsel, responded that the Executive Director has discretion to make organizational changes himself, but he also has the right to bring it to the Board of Directors.

Board Member Andrew Pappastergion asked how the organizational change would affect the committee structure of the Board of Directors. Mr. Laskey responded that this is a common business model/structure and lots of organizations have Administration & Finance Divisions. Mr. Pappastergion questioned whether the new structure made sense and if any of the functions fall under the Chief Operating Officer position. Mr. Laskey responded that the consolidation of finance and support is a work in progress and there may be some changes ahead. Mr. Pappastergion requested that staff come back with a report on the changes in six months.

Mr. Mannering asked for staff to clarify the role of the Deputy Director of A&F. Mr. Laskey responded that day to day operations will be under the Director of A&F and in the absence of the Director, the Deputy Director would be Acting Director of A&F. Mr. Mannering stated that the organizational chart was sloppy and that everyone should report to the Deputy Director as well.

Mr. Barrera noted that if there were four Deputy Directors of various departments, no money would be saved.

Mr. Laskey stated that the organizational chart could be revised.

OCTOBER PCR AMENDMENTS – FY10

The Board voted to approve an amendment to the Position Control Register. The PCR amendment reflects organizational changes aimed at improving cost-effectiveness and structural soundness by combining the existing Finance and Support Services Divisions into one Administration and Finance Division. In order to accomplish this, three PCR amendments require Personnel Committee and Board approval to create two new positions, Director of Administration and Finance and Deputy Director of Administration and Finance, and the elimination of the Managing Director position. In addition, there is a PCR amendment creating a Senior Buyer position. Finally, the elimination of the Project Manager, Asset Control position is contingent on the approval of the proposed appointment of the incumbent to the Warehouse Manager position.

In total, these amendments will result in annual savings of approximately $182,714.

APPOINTMENT OF DIRECTOR, ADMINISTRATION & FINANCE

The Board voted to approve the Executive Director's recommendation to appoint Ms. Rachel C. Madden to the position of Director of Administration and Finance, Administration and Finance Division (Non-Union, Grade 17) at an annual salary of $143,000 to be effective on the date designated by the Executive Director.

The Director of Administration and Finance serves as the Authority's Chief Finance and Administrative Officer and plans, directs, reports and controls the central financial and administrative operations of the agency. Ms. Madden has over 16 years of progressively responsible financial, debt and investment and operational experience with the MWRA and the Commonwealth of Massachusetts. Ms. Madden has been responsible for managing the overall financial activities of the Authority including treasury, budgeting and accounting activities. Prior to her appointment as Director of Finance, Ms. Madden held the titles of Acting Treasurer and Budget Director. In each of these progressively more responsible roles, Ms. Madden has performed in an excellent fashion and these experiences have prepared her well for this new role.

There are sufficient funds in the FY10 CEB for this position.

APPOINTMENT OF DEPUTY DIRECTOR, ADMINISTRATION & FINANCE

The Board voted to approve the Executive Director's recommendation to appoint Ms. Michele S. Gillen to the position of Deputy Director of Administration and Finance, Administration and Finance Division (Non-Union, Grade 16), at an annual salary of $120,000 to be effective on the date designated by the Executive Director.

The Deputy Director, Administration and Finance, will report directly to the Director, Administration and Finance, and serve as a department head for the key administrative functions of Real Property and Environmental Management, Procurement, Fleet Services and Administrative Services for the Charlestown Navy Yard facility.

Ms. Gillen has 18 years experience at the MWRA. Since May 2005, Ms. Gillen has held the position of Director, Real Property and Environmental Management. Prior to this role Ms. Gillen was a Senior Community Relations Coordinator, where she was responsible for managing the communication and public participation aspects of a broad array of issues. In these positions, Ms. Gillen has worked effectively with law, engineering, construction and operations staff. Ms. Gillen has proven herself to be a strong manager who has the ability to oversee complex programs and projects through to completion.

There are sufficient funds in the FY10 CEB for this position.

Board Member Michael Gove stated that although he has been impressed with what he has seen with Ms. Gillen's work, he noted that this is a huge promotion and asked if Mr. Laskey was comfortable with Ms. Gillen's capabilities. Mr. Laskey responded that Ms. Gillen is a valuable and talented manager.

Mr. Carroll asked if Ms. Gillen has a background in finance. Mr. Laskey responded in the negative. Mr. Carroll asked how she will be able to step in for Ms. Madden if necessary. Mr. Laskey responded that the strength of the team in the finance division is what makes me comfortable with this change. He stated that the finance division is a very strong team.

Mr. Pappastergion asked if there was a Deputy Chief Financial Officer Position now. Mr. Laskey responded in the negative. Mr. Pappastergion asked what the case is for making a Deputy Director position now; why not have a Director of Support Services position.

APPOINTMENT OF WAREHOUSE MANAGER, PROCUREMENT DEPARTMENT

The Board voted to approve the Executive Director's recommendation to appoint Mr. David A. Craven to the position of Warehouse Manager, Deer Island (Unit 6, Grade 12), at an annual salary of $85,453.52 to be effective on the date designated by the Executive Director.

Reporting to the Materials Manager, Support Services, the Warehouse Manager, oversees the inventory control functions for materials and supplies in accordance with the Authority's materials management and purchasing policies and procedures. The Warehouse Manager position became vacant with the resignation of the previous incumbent. This position plays an important role in the MWRA supporting the Authority in the timely, efficient and cost effective inventory control of goods and materials.

The position was posted internally. Ten candidates were referred for this position and nine candidates were interviewed. Upon completion of the interviews, Mr. David Craven was selected as the best and most qualified candidate for this position. Mr. Craven has twenty-five years experience working in the public sector. For the past two years, he has held the position of Project Manager, Asset Management, which provided an opportunity for him to demonstrate strong management and inventory control skills.

There are sufficient funds for this position within the Procurement Department's FY10 CEB. Additionally, the position of Project Manager, Asset Management will be eliminated contingent upon this appointment, resulting in an annual savings of $71,419 plus the costs of benefits.

EXTENSION OF EMPLOYMENT CONTRACT, FACILITIES MANAGEMENT DEPARTMENT

The Board voted to approve the extension of the employment contract for Mr. Francis Picardi, Messenger/Courier, Facilities Management Dept., for a period of one year from November 6, 2009 to November 6, 2010 at the current hourly rate of $16.00 for an annual compensation not to exceed $33,300.

Mr. Picardi was hired as a contract employee on November 3, 2008. As a Messenger/Courier he has performed all of the essential duties and responsibilities required of the position. Facilities Management provides shuttle services on a fixed schedule and route using MWRA vehicles. Messenger/Couriers pick up and deliver packages and MWRA employees to various locations in the Metropolitan Boston area.

There are sufficient funds available for this contract extension in the Facilities Management Department FY10 CEB.

OTHER BUSINESS

EXTENSION OF CONTRACT FOR EXECUTIVE DIRECTOR

The Board voted to rate the performance of Frederick A. Laskey, Executive Director, for Fiscal Year 2009 as excellent, and to extend the term of the Executive Director's employment agreement and appointment as Executive Director by one year to June 3, 2012, subject to his consent.

EXTENSION OF CONTRACT FOR CHIEF OPERATING OFFICER

The Board voted to extend the term of the employment agreement with Michael J. Hornbrook, Chief Operating Officer, by one year to May 31, 2012, subject to his consent.