



**MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, December 16, 2009**

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on December 16, 2009 at the Charlestown Navy Yard. **Present:** Joel Barrera and Michael Gove, Gubernatorial Appointees; John Carroll, Andrew Pappastergion and Joseph Foti, 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:** Chair Ian Bowles, Gubernatorial Appointee; Kevin Cotter, City of Boston Representative.

REPORT OF THE CHAIR

John Carroll, Vice-Chairman of the MWRA Board of Directors, congratulated Board Member Andy Pappastergion on his recent promotion in the Town of Brookline to the Director of the Department of Public Works.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey congratulated Chairman Ian Bowles on the recent birth of his son, Jackson. Mr. Laskey stated that the MWRA was ranked fifth in the top ten of best-tasting water suppliers in the country. The MWRA system was the highest ranked non-filtered system. He noted the decision was based on water quality and customer accessibility. Mr. Laskey stated that a tank study was in progress; the study will determine whether the invasive zebra mussel can exist in Quabbin water. He stated that RPI and UMass are conducting the study and that RPI did a similar study to address a similar problem in the Great Lakes.

Mr. Laskey reported that the second solar panel project was underway at Deer Island. He stated that the Authority received a 308 letter from the U.S. Environmental Protection Agency (EPA) regarding the way the tanks are cleaned at the Carroll Water Treatment Plant.

Mr. Laskey addressed a recent news article that called attention to government entities that pay for full-time union officers. He noted that the MWRA's union officers hold full-time staff positions.

APPROVALS

PROPOSED FISCAL YEAR 2011 CAPITAL IMPROVEMENT PROGRAM

The Board voted to approve the transmittal of the Proposed Fiscal Year 2011 Capital Improvement Program to the MWRA Advisory Board for its 60-day review and comment period.

The FY11 Proposed CIP spending for the FY09-13 CAP period is \$1.1273 billion (according to the cap calculation), a decrease of \$16.5 million or 1.4% from the Base-Line CAP established in FY09 and complies with both the annual and five-year CAP requirements.

The FY11 Proposed CIP includes new project requests of \$35.6 million mainly for Interceptor Renewal and Alternative Energy initiatives. A new phase of the Local Water Pipeline Assistance Loan Program of \$200 million was added in the FY11 Proposed CIP. Although this loan program has a net-zero impact on the CIP after the loans are repaid, it represents an additional \$32 million of spending in the FY09-13 timeframe. The

total FY11 Proposed CIP increased \$116.8 million, to \$5.09 billion, as compared to the FY10 final CIP approved by the Board in June 2009.

The FY11 Proposed CIP includes projects that are expected to receive \$32 million from the American Recovery and Reinvestment Act of 2009 (ARRA). Any stimulus funds received will reduce the Authority's borrowing requirement and future debt service as a result of these principal forgiveness loans.

The Combined Sewer Overflow (CSO) program continues to drive spending in the FY09-13 timeframe accounting for \$314.5 million or 29% of the total projected spending. Staff projects that by the end of the CAP period 95.5% of the total CSO program will be completed. With the majority of the CSO program completed, the Authority will continue to focus on the critical asset protection and water redundancy initiatives.

Since 1985, nearly 80% of the Authority's spending has been on court mandated projects. Going forward, the mandated projects account for 36.4% of the projected FY09-13 spending.

It is important to emphasize that the majority of spending within each Capital program is concentrated in several projects with significant spending in the FY09-13 timeframe. These projects are either currently under construction or soon to be awarded. The top 5 projects for the Wastewater program total \$493.9 million for the FY09-13 timeframe and represent 74.5% of the \$663.1 million total program.

Similarly, the top 5 projects for the Waterworks program total \$212.3 million for the FY09-13 timeframe and represent 58.5% of the \$362.7 million total program. Combined, these top 10 projects represent 65.4% of projected spending in the FY09-13 timeframe.

APPOINTMENT OF PROXY FOR FORE RIVER RAILROAD CORPORATION

The Board voted that the Board of Directors, as holder of all voting rights of the issued and outstanding stock of the Fore River Railroad Corporation, vote to appoint Kathy Soni with the power of substitution to vote as proxy at the next annual meeting and any special meeting of the stockholders for the Fore River Railroad Corporation in accordance with the form of proxy presented. Further, to direct the proxy to elect the following Board members: Joel A. Barrera, Michele S. Gillen, Lisa R. Grollman, Michael J. Hornbrook, Frederick A. Laskey, Rachel C. Madden, Elizabeth A. Murray, Steven A. Remsberg, John P. Vetere and John J. Walsh.

In 1987, MWRA purchased the Fore River Staging Area from General Dynamics. Included in the sale was the purchase of the Fore River Railroad Corporation (FRRRC). The railroad operates during weekdays and services MWRA's Residuals Plant and Twin Rivers Technologies, Inc. An annual meeting of the shareholders must be held in the first quarter of each calendar year to elect the Board of Directors. MWRA is the sole stockholder of the Fore River Railroad Corporation. Kathy Soni would replace Kevin Feeley who has served as proxy since 2007.

GIC BENEFIT CHANGES

The Board voted to approve the participation by the Executive Director in matters affecting changes to the Authority's two flexible spending accounts, including efforts to have those plans administered by a vendor contracted by the Group Insurance Commission (GIC), under the provisions of section 6 of G.L. C. 268A based upon the Board's determination that any financial interest which the Executive Director may have, as either a current or future participant in these plans, is not so substantial as to be deemed likely to affect the integrity of the services which the Commonwealth may expect from the Executive Director.

Since 1999, MWRA has offered employees two voluntary flexible benefit programs that provide participants with the opportunity to pay for certain health care and dependant care expenses with pre-tax dollars. Such plans are commonly offered by both industry and government employers, including the Commonwealth. In an effort to streamline the administrative processes associated with maintaining such programs and provide participants with the ability to manage their individual accounts on-line and use "flexible benefit debt cards," many employers have contracted with outside vendors.

The MWRA plans have been self-administered. The Authority has been able to secure outside administration of the plans through arrangements with the GIC vendor. These programs are funded by employee

contributions and there is no MWRA contribution to the accounts. Under the new administrative arrangements with the GIC, participating employees will pay the administrative costs associated with the programs.

Board Member Jack Walsh asked what the average contribution from employees is. Bob Donnelly, Director of Human Resources, responded that the average annual contribution amount is \$2,500. Mr. Walsh questioned why employees would want to pay the added fee on a program that was previously no cost to them. Mr. Donnelly responded that the new program will be easier to manage and allow employees to use a debit card for qualifying expenses.

DECEMBER PCR AMENDMENTS – FY10

The Board voted to approve an amendment to the Position Control Register. The PCR amendment included in this package reflects organizational changes aimed at improving the cost-effectiveness, structural soundness and staffing pattern of the Metro Maintenance Department. It includes:

- A title and location change to a vacant position in the Metro Maintenance Department to relocate the position from Pipe Maintenance Wastewater cost center to TV Inspection cost center.

APPOINTMENT OF ASSOCIATE GENERAL COUNSEL, LAW DIVISION

The Board voted to approve the Executive Director's recommendation to appoint Mr. John W. Bishop, Jr. to the position of Associate General Counsel in the Law Division (Non-Union, Grade 15), at an annual salary of \$114,448 to be effective on the date designated by the Executive Director.

The Associate General Counsel for Litigation (AGC) is responsible for managing a staff of four senior staff counsels, one paralegal and two secretaries, who as a group are involved in both defensive and affirmative litigation efforts of the Authority. The responsibilities of the position include the overall management and progress of cases, as well as supervising both in-house and outside counsel and providing strategic advice to the Executive Director, Chief Operating Officer and General Counsel.

John Bishop is a fourteen-year employee of the Authority's Law Division where he has worked exclusively as a litigator and as an attorney-manager of litigation matters handled by staff counsel. For the past six years, Mr. Bishop has held the position of Acting Associate General Counsel for litigation matters. Mr. Bishop has performed the tasks of Litigation Associate General Counsel in his acting role in a professional and competent manner. Based upon the long-term experience and demonstrated ability of the incumbent to handle the responsibilities of the position, posting of the position was deemed unnecessary.

There are sufficient funds in the Law Division's FY10 CEB to fund this position. The recommended salary is equivalent to Mr. Bishop's current salary as Acting Associate General Counsel.

APPOINTMENT OF CONSTRUCTION COORDINATOR, CONSTRUCTION DEPARTMENT, OPERATIONS DIVISION

The Board voted to approve the Executive Director's recommendation to appoint Mr. Mohammed M. Falsafi to the position of Construction Coordinator in the Construction Department, Operations Division (Unit 9, Grade 30), at an annual salary of \$85,267 to be effective December 19, 2009.

The Construction Coordinator position, which reports directly to the Assistant Director of Construction, is responsible for managing all aspects of MWRA's Capital and Current Expense construction projects as assigned. Assignments can include rehabilitation and/or improvement of water and wastewater facilities and infrastructure. Responsibilities include performing constructability reviews of construction plans and specifications, supervision of field engineers, assignment of projects, providing technical and administrative assistance, evaluation of performance, and staff development.

This position was posted internally because there were several candidates from within MWRA's work force that possessed the necessary qualifications. A total of 14 candidates applied for this position from various departments within MWRA. After the five most qualified candidates were interviewed, Mr. Mohammed Falsafi was selected as the best and most qualified candidate based on his education, experience, ability and knowledge.

Mr. Falsafi has a total of 25 years of experiences in the field of civil engineering, including 20 years with MWRA. For the past year, Mr. Falsafi has successfully undertaken the position of Acting Construction Coordinator; he has demonstrated good leadership skills and earned the respect of managers and colleagues.

There are sufficient funds in the FY10 CEB for this position. The recommended salary is consistent with the current Unit 9 collective bargaining agreement.

EXTENSION OF EMPLOYMENT CONTRACT, SENIOR LABORATORY TECHNICIAN, DEPARTMENT OF LABORATORY SERVICES, SOUTHBOROUGH

The Board voted to approve the extension of the employment contract for Ms. Heather Slater, Senior Laboratory Technician, Department of Laboratory Services, Southborough, for a period of one year, from December 26, 2009 to December 25, 2010 at the current hourly rate of \$19.00, for an annual compensation not to exceed \$39,520.

The Department of Laboratory Services has a continuing need for contract staff to assist with both seasonal workload increases and the additional work resulting from special profiling studies that characterize bacterial treatment effectiveness across stages of the Carroll Water Treatment Plant. Staff expect these special studies to continue in 2010, giving rise to continued uncertainty concerning future staffing needs in the Department of Laboratory Services.

Ms. Heather Slater has been a contract employee at MWRA since January 28, 2008 performing routine lab testing. She performs prescribed procedures on drinking water samples, including assisting scientists, compiling and preparing data, and operating and performing basic maintenance on laboratory equipment. Ms. Slater has two years of directly relevant experience and has become trained and certified on a variety of microbiology tests and is integral to the laboratory team.

There are sufficient funds available for this position in the Department of Laboratory Service's FY10 CEB.

EXTENSION OF EMPLOYMENT CONTRACT, MESSENGER/COURIER, SUPPORT SERVICES

The Board voted to approve the extension of the employment contract for Mr. Lee Maxwell, Messenger/Courier, Support Services Division, for a period of one year from January 1, 2010 to December 31, 2010 at an hourly rate of \$16.00, for an annual compensation not to exceed \$33,280.00.

Mr. Lee Maxwell has been a Messenger/Courier since August 8, 2009; 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. In addition they maintain motor pool vehicles such as cleaning inside and outside, checking all fluids, checking tire pressure and conducting safety checks.

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

Board Member Joe Foti asked why this is a contract employee position. Mr. Donnelly responded that it is an entry-level position.

CONTRACT AWARDS

1.5-MEGAWATT WIND TURBINE GENERATOR AT DELAURI PUMP STATION, CHARLESTOWN: LUMUS CONSTRUCTION, CONTRACT 7302

The Board voted to approve the award of Contract No. 7302, Furnish, Design and Install a 1.5-Megawatt Wind Turbine Generator, DeLauri Pump Station, to the lowest eligible and responsible bidder, Lumus Construction, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the lump sum design and installation bid amount of \$4,686,500 for a term of 546 calendar days from the Notice to Proceed.

This is one of three renewable energy project contracts being presented for award; together they will provide 2.2 megawatts of electricity at three MWRA facilities and result in combined savings and revenue generation of approximately \$640,000 per year. These projects are being funded fully or in part with \$9.1 million from the Green Infrastructure portion of the ARRA State Revolving Fund program.

As part of MWRA's continuing efforts to utilize renewable power resources and reduce its reliance on purchased power, staff have been aggressively pursuing the installation and utilization of renewable energy sources. MWRA continues to pursue the installation of wind turbines at other facilities as a component of MWRA's overall strategy to develop renewable power. The DeLauri Pump Station is a wastewater pumping facility that serves Charlestown and portions of the communities of Somerville, Cambridge and Medford. The site was selected for multiple reasons including its good wind resources and location (both adjacent to water and major roadways).

The contract was advertised and bid; the Proposal submitted by Lumus was determined to be responsive and its cost proposal was opened on December 9, 2009 with the following result: \$4,686,500. Lumus has installed seven wind turbines for a total of 6.9 MW within the past year, including the two recently installed wind turbines on Deer Island. The company primarily focuses on small to medium size construction projects and has a separate division devoted to renewable energy markets.

This project was added to the Capital Improvement Program in the FY11 Proposed budget cycle; however, this contract will be fully funded in the amount of \$4,750,000 through an ARRA grant as part of the State Revolving Fund (SRF) CY2009 Intended Use Plan administered by the Massachusetts Department of Environmental Protection (DEP). Project costs will be funded through principal forgiveness loans offered by the SRF for stimulus eligible projects. Avoided annual electricity purchases for the pump station are estimated at more than \$100,000 and revenue of approximately \$75,000 per year from sales of Renewable Portfolio Standards credits are anticipated. In addition, contingent on pump station demand and wind conditions, the turbine will contribute more than 1 MW of clean renewable electricity back to the power grid at an estimated value of approximately \$250,000.

Mr. Walsh asked if there were any American companies that made wind turbines. John Vetere, Director of the Deer Island Wastewater Treatment Plant, responded that no American companies bid on the project. Mr. Walsh stated that he was concerned about maintenance costs when a company is located overseas and asked how long wind turbines last. Kristen Patneau, MWRA Program Manager, responded that the turbine has a design life of 20 years, but some of the components have shorter lives.

Board Member Jim Hunt asked how the metering credit works. Ms. Patneau responded that the pump station will consume 20% and the rest will go back to the grid.

Mr. Laskey noted that this project is an alternative energy source that uses stimulus funding. He thanked the Board of Directors for their support.

LORING ROAD HYDROELECTRIC PROJECT: BARLETTA HEAVY DIVISION INC., CONTRACT 6974F

The Board voted to approve the award of Contract No. 6974F, Loring Road Hydroelectric, to the lowest eligible and responsible bidder, Barletta Heavy Division, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$1,857,000 for a term of 475 calendar days from the Notice to Proceed.

This is the second of the three renewable energy project contracts being presented for award that will be funded fully or in part with \$9.1 million from the Green Infrastructure portion of the ARRA State Revolving Fund program.

Contract 6974F provides for the installation of a hydroelectric turbine and generator and associated piping within an existing valve chamber at the Loring Road Covered Distribution Storage facility in Weston. The contract was advertised and bid; eight bids were received and opened on November 24, 2009. The lowest bidder failed to comply with the MWBE requirements and must be rejected. Staff determined that the second lowest bidder, Barletta Heavy Industries meets all of the requirements of the bid. Barletta, as the lead firm in a joint venture with Daniel O'Connell and Sons, constructed the Loring Road Facility and as such, is familiar

with the piping, valves, and equipment in and around the Valve Chamber One. Barletta is also the Contractor for the Hultman Interconnections project, an ongoing project that includes work at the Loring Road site.

The FY10 CIP contains a budget of \$1,800,000 for Contract 6974F; the proposed contract award amount is \$1,857,000. The project was included on DEP's 2010 Intended Use Plan and bid in accordance with ARRA contract requirements; therefore, the project is eligible for ARRA stimulus funding and is slated to receive \$1,525,000 in principal forgiveness loans. The project has also received a \$275,000 construction grant from the Mass Technology Collaborative. MWRA's Capital contribution to this project, based on the bid amount, is \$57,000.

DESIGN AND INSTALLATION OF GROUND-MOUNTED PHOTOVOLTAIC SYSTEM, CARROLL WATER TREATMENT PLANT: NEXAMP, INC. /FLORENCE ELECTRIC, JV, CONTRACT 7304

The Board voted to approve the award of Contract No. 7304, Design and Installation of Ground-Mounted Photovoltaic System, Carroll Water Treatment Plant, to the lowest eligible and responsible bidder, Nexamp, Inc./Florence Electric, JV, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the lump sum amount of \$2,187,414 for a term of 547 calendar days from the Notice to Proceed.

This is the third of the three renewable energy project contracts being presented for award that will be funded fully or in part with \$9.1 million from the Green Infrastructure portion of the ARRA State Revolving Fund program.

As part of Governor Patrick's Massachusetts Recovery Plan to create jobs and secure the state's economic future, the Commonwealth seeks to invest in solar photovoltaic energy generation at public facilities throughout the state, using funds made available under the ARRA. The Carroll Water Treatment Plant (CWTP) solar photovoltaic project was included in a Request for Proposals, issued by the MA Department of Energy Resources (DOER), dedicated solely for water and wastewater facilities as part of the Massachusetts Solar Stimulus Program. The CWTP's photovoltaic project is included in the State Revolving Loan Fund 2009 Clean Water and Drinking Water Intended Use Plans as part of the Drinking Water Green Infrastructure funding list for principal forgiveness. Staff expect the installation of the photovoltaic system will result in avoided electrical purchases, estimated at approximately \$69,600 per year, and revenue of approximately \$15,000 per year from sales of Renewable Portfolio Standards credits.

The project was procured by DOER; seven design/build proposals were received and the cost proposals of the three highest ranked firms were opened. The Evaluation Committee selected Nexamp, Inc./Florence Electric, Joint Venture, as the first ranked proposal as it had the highest score on the non-price proposal evaluation, as well as the lowest price of the three price proposals opened. Based on discussion with Nexamp, Inc./Florence, MWRA staff have determined that the price is reasonable, complete and includes the payment of prevailing wage rates.

This project was added to the Capital Improvement Program in the FY11 Proposed Budget, which is being presented to the Board at this meeting; however, this contract will be fully funded in the amount of \$2,187,414 through an ARRA grant as part of the State Revolving Fund CY2009 Intended Use Plan administered by the Massachusetts DEP. Project costs will be fully funded through principal forgiveness loans offered by the SRF for stimulus-eligible projects.

UPGRADES TO QUABBIN AQUEDUCT AND WINSOR POWER STATION: HATCH MOTT MACDONALD, LLC, CONTRACT 7114

The Board voted to approve the recommendation of the Consultant Selection Committee to select Hatch Mott MacDonald LLC to provide engineering design, construction administration and resident engineering services for Upgrades to Quabbin Aqueduct and Winsor Power Station, and to authorize the Executive Director, on behalf of the Authority, to execute Contract 7114 with Hatch Mott MacDonald, LLC in an amount not to exceed \$2,320,000 for a term of 66 months from the Notice to Proceed.

This project will include engineering design and construction services to rehabilitate structures and to restore the operating systems at the following facilities of MWRA's western water transmission system as recommended:

- Winsor Power Station in Belchertown;
- Quabbin Aqueduct Shaft 12 Intake and Service Building in Hardwick;
- Quabbin Aqueduct Shaft 9 Building in Barre;
- Quabbin Aqueduct Shaft 2 in Holden; and
- Quabbin Aqueduct Shaft 1 (Oakdale Power Station) in West Boylston.

These facilities were originally constructed in the 1930s; since then only minor maintenance has occurred. When rehabilitation under this contract is complete, the architectural features of each of these facilities will be unchanged but the waterworks operating system will be updated.

Proposals were received from four firms for this contract; Hatch Mott MacDonald LLC was the first ranked firm and had the lowest cost proposal. The firm proposed a qualified project team with significant relevant experience and an appropriate level of effort at a reasonable cost.

The FY10 CIP includes \$2,406,000 for this contract; the contract award amount is \$2,320,000.

HULTMAN AQUEDUCT INTERCONNECTIONS RESIDENT ENGINEERING AND INSPECTION SERVICES: DEWBERRY-GOODKIND, INC. CONTRACT 7082

The Board voted to approve the recommendation of the Consultant Selection Committee to select Dewberry-Goodkind, Inc. to provide resident engineering and inspection services for the Hultman Aqueduct Interconnections project, and to authorize the Executive Director, on behalf of the Authority, to execute a contract with Dewberry-Goodkind, Inc. in an amount not to exceed \$2,499,909 for a term of 60 months from the Notice to Proceed.

The Hultman Aqueduct Interconnections project includes the inspection and rehabilitation of the Hultman Aqueduct and the interconnection of the Hultman Aqueduct with the MetroWest Tunnel at several critical locations along its alignment. The work will be completed in two construction contracts to ensure that MWRA maintains a continuous, safe and reliable water transmission system during the entire phase of construction. The services to be provided under Contract 7082 will include critical resident engineering and inspection for both construction contracts discussed above.

Proposals for this contract were received from five firms; staff met with Dewberry-Goodkind, Inc., the firm with the lowest cost proposal, to review the project scope, staffing, schedule and pricing. Based on the discussion, staff believe that Dewberry-Goodkind, Inc. has the necessary experience and personnel to complete this project and is qualified to do so.

The FY10 CIP includes a budget of \$3,100,000 for Contract 7082; the recommended contract amount is \$2,499,909.

SOUTHERN SPINE DISTRIBUTION MAINS SECTION 107 - PHASE 2: RJV CONSTRUCTION CORPORATIONS, INC., CONTRACT 7099

The Board voted to approve the award of Contract No. 7099, Southern Spine Distribution Mains Section 107-Phase 2, to the lowest eligible and responsible bidder, RJV Construction Corporation, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$14,565,000 for a term of 1,158 calendar days from the Notice to Proceed.

The Southern Spine Distribution Mains Project involved the rehabilitation and/or replacement of three water transmission mains, Sections 21, 22 and 43, serving the communities of Boston, Milton, and Quincy. This contract will replace Sections 21 and 43, which are 24-inch, cast-iron water mains that have been in service since 1897 and 1915, respectively and have recently required repairs by MWRA maintenance staff. Replacement of these water mains will increase reliability of flow to the Blue Hills Covered Storage facility and the locally served communities.

Contract 7099 was advertised and bid; bids were received and opened from ten contractors. RJV Construction submitted the lowest bid and was approximately 29% lower than the Engineer's Estimate. Staff

have determined that RJV Construction Corp. possesses the skill, ability and integrity necessary to perform the work under this contract and is qualified to do so.

The FY10 CIP includes a budget of \$19,980,000 for Contract 7099; the contract award amount is \$14,565,000. This contract is eligible to receive \$1.07 million in ARRA SRF funding.

CONTRACT AMENDMENTS/CHANGE ORDERS

MANAGEMENT, OPERATION AND MAINTENANCE OF THE UNION PARK PUMP STATION/CSO FACILITY AND UNMANNED STATIONS: WOODWARD & CURRAN, INC., CONTRACT S429, AMENDMENT 1

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 1 to increase the amount of Contract No. S429 with Woodard & Curran, Inc., Management, Operation and Maintenance of the Union Park Pump Station/CSO Facility and the Unmanned Stations, and to jointly execute said amendment along with Boston Water and Sewer Commission (BWSC), in an amount not to exceed \$2,724,000, of which MWRA will pay \$708,480.00 (27%) and BWSC will pay \$1,915,520.00 (73%) for the Annual Service Fee, and of which \$100,000.00 represents an allowance for MWRA use for corrective maintenance and repair of facility process equipment, and to increase the contract term by 730 calendar days to February 27, 2012.

This contract was approved by the Board of Directors on February 7, 2007 and jointly executed by MWRA and Boston Water and Sewer Commission with the lowest responsible bidder, Woodard & Curran, Inc., for a period of three years. The original vote allowed for an extension of the contract term for up to two additional years upon approval by the Board. The contract has proceeded as designed and the Contractor has performed satisfactorily. All parties have agreed that the annual service for fee portion of the contract will be funded at the same level as the last year of the original three-year contract for the entire two-year extension; therefore, MWRA staff and BWSC jointly recommend that the two one-year extension options included in the original contract be approved.

The Union Park CSO facility has activated 69 times and discharged treated effluent 24 times to Fort Point Channel in the last three years of operation. A total volume of 78 million gallons was stored at the facility (and so was not discharged as combined sewerage to the Fort Point Channel outfall). NPDES sampling conducted at the facility has indicated performance typical of other MWRA CSO facilities.

The FY10 CEB currently includes adequate funds for contract services, utilities, maintenance and chemicals for Union Park. The Proposed FY11 through FY12 CEB requests will include adequate funds to continue the facility's contract and operating in accordance with the terms, pricing and conditions of Amendment 2.

DEER ISLAND TREATMENT PLANT MAIN ENTRANCE SECURITY IMPROVEMENTS: B.C. CONSTRUCTION CO. INC., CONTRACT 6760P, CHANGE ORDER 3

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 3 to increase the amount of Contract No. 6760P with B.C. Construction Co., Inc., Deer Island Treatment Plant Main Entrance Security Improvements, for a lump sum amount of \$43,508.17.

MWRA's Task Force for Security and Emergency Preparedness recommended that the existing guard house on Deer Island be upgraded to increase security. The scope of work under this contract includes the installation of two new security gates, approximately 1,400 square feet of new roadway work, insulation of a safety island, buried electrical conduits and resurfacing.

Change Order 3 consists of the following three items, all of which have been identified as design errors:

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| 1. Remove Fence Posts, Furnish and Re-Install Fence Posts, Furnish Guardrail | \$19,737.35 |
| 2. Relocate Control Panels; Re-route Conduit and Wire | \$19,523.71 |
| 3. Remove and Replace Three Vehicular Clearance Signs | \$4,247.11 |

The cumulative value of all change orders to this contract will total \$242,439.99 or 28.99% of the original contract amount. Work on this contract is approximately 99% complete.

The FY10 CIP includes sufficient funds for this change order under the Security Equipment and Installation subphase. It should be noted that MWRA received a Department of Homeland Security Buffer Zone Protection Grant in the amount of \$100,000 for this project.

MASSACHUSETTS BAY MODELING SERVICES: UNIVERSITY OF MASSACHUSETTS AT DARTMOUTH, CONTRACT S426, 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 Contract No. S426 with University of Massachusetts at Dartmouth, Massachusetts Bay Modeling Services, in the amount of \$60,000 and to extend the contract term by one year to December 31, 2010.

Under its National Pollutant Discharge Elimination System (NPDES) permit, MWRA is required to update, maintain, and run its "Bays Eutrophication Model" to predict and understand impacts of nutrients in the Deer Island discharge on water quality in Massachusetts Bay. The permit specifies that this modeling must be performed annually.

Contract S426 was approved by the Board and awarded to the University of Massachusetts/Dartmouth on January 16, 2008 after an advertised and competitively bid procurement process. Amendment 2 will increase the contract amount by \$60,000 for modeling of 2009 data and extend the contract term by one year, January 1, 2010 to December 31, 2010. There are sufficient funds available for the first portion of this amendment in ENQUAD's FY10 Current Expense Budget; appropriate funding will be included in the Proposed FY11 CEB request.

INFORMATION

DELEGATED AUTHORITY REPORT- NOVEMBER 2009

Staff presented a listing of actions taken by the Executive Director under delegated authority for the period November 1 through November 30, 2009. This report is broken down into three sections:

- Awards of Construction, non-professional and professional services contracts and change orders and amendments in excess of \$25,000, including credit change orders and amendments in excess of \$25,000;
- Awards of purchase orders in excess of \$25,000; and
- Amendments to the Position Control Register, if applicable.

Recommendations for delegated authority approval include information on the budget/fiscal impact related to the action. For items funded through the capital budget, dollars are measured against the approved capital budget. If the dollars are in excess of the amount authorized in the budget, the amount will be covered within the five-year CIP spending cap. For items funded through the Current Expense Budget, variances are reported monthly and year-end projections are prepared at least twice per year.

FY10 FINANCIAL UPDATE AND SUMMARY AS OF NOVEMBER 2009

Through the month of November, total expenses came to \$234.7 million, \$11.6 million (4.7%) below the budgeted amount of \$246.4 million. Direct Expenses totaled \$82.6 million, \$3.4 million (4.0%) below the budgeted amount of \$86.0 million. Indirect Expenses were \$14.8 million, \$0.5 million (2.9%) below the budgeted amount of \$15.3 million; and Debt Service and related capital financing expenses totaled \$137.3 million, \$7.8 million (5.3%) below the budgeted amount of \$145.1 million.

The primary reason for year-to-date underspending on Direct Expenses is lower spending for wages and salaries, maintenance, chemicals and utilities. Staff estimate that approximately \$1.9 million or 55% of year-to-date underspending is related to timing and the balance is due to lower than budgeted usage. For example, the year-to-date budget for Maintenance expenses is underspent by \$674,000; the majority of this underspending is due to timing and spending is anticipated to be on budget by year end. Expected to remain under budget through the end of the year are Chemicals, Other Materials and Other Services spending, for

example. Staff pointed out that separate from the underspending due to timing, the year-to-date variance is 1.8% below budget which demonstrates the Authority's continuing efforts to cut costs and tighten the budget.

Lower Debt Service Expense is the result of favorable interest rates. Lower variable rate debt expense of \$7.9 million reflects the year-to-date variable debt interest rate of close to 1% as compared to the budgeted all-in variable debt interest rate of 3.5%.

Total Revenue and Income through November was \$251.5 million, \$1.8 million or 0.7% less than budget. This decrease is due to lower Other Revenue of \$1.5 million mainly due to the new TRAC billing system implementation delay, lower Investment Income of \$138,000 mainly due to lower rates, and lower Other User Charges of \$96,000.

FY10 Capital Improvement Program and Budget

Spending through November 2009 totaled \$85.8 million, \$13.6 million or 13.7% below budget. Under spending was reported in all three programs; \$6.8 million for Wastewater. \$5.4 million for Waterworks and \$1.4 million for Business & Operations Support.

Board Member Joel Barrera asked staff to highlight why the training and meeting budget is so low and that there is under spending in that area. Director of Human Resources Bob Donnelly responded that there is a separate Human Resources budget for the professional and technical training line item.

MWRA ADVISORY BOARD PRESENTATION REGARDING FY11 RATES

Katherine Dunphy, Chairwoman of the MWRA Advisory Board, and Advisory Board staff made a presentation to the Board regarding potential pathways to maintain a \$0 Rate Revenue Requirement increase in FY11. The pathway identified in the Advisory Board's presentation is only one of many possible pathways to achieve a \$0 Rate Revenue Requirement increase in FY11, and its purpose was to highlight the many "tools" and potential areas of reduction that could be used to level-fund the FY11 Rate Revenue Requirement.

The Advisory Board staff indicated that they looked forward to a discussion with the Board and MWRA staff on the best way to achieve a \$0 Rate Revenue Requirement increase for inclusion in the FY11 preliminary assessments in February. They reiterated that with the many pressures facing the cities and towns, the time to provide immediate relief is now.

For the entire Advisory Board presentation please visit the website:

http://www.mwraadvisoryboard.com/Research_Articles/AB_Zero_Rate_Increase_Presentation.pdf

Advisory Board staff presented a list of the various tools and reductions that might be utilized in varying capacities to achieve a \$0 Rate Revenue Requirement increase in FY11, while still maintaining an FY12 increase below 5%. Some tools highlighted included:

- Surpluses used to defease debt targeted in FY11-12
- Other Post-Employment Benefits (OPEB) expenses
- Variable Rate Debt interest rate assumptions
- Local Pipeline Assistance Program (LPAP) interest rate assumptions
- Updated borrowing assumptions to reflect receipt of ARRA funds
- Cash for capital
- Direct expenses inflation assumptions
- Pension expense adjustments to anticipate changes to pension reform

The Advisory Board noted that these tools might yield additional benefit beyond the amounts used in this one scenario, and noted other tools that were not used but might yield future benefits as well including the release of the Lehman Funds (\$2.1 million), selling additional water through system expansion, and the release of additional reserves (\$138 million) in FY14.

Mr. Barrera stated that current variable rate debt interest rates are 1% but two years ago, they were between 3.5 and 7%; why the low ball within the recommendations now. Matthew Romero, Advisory Board Senior

Policy & Finance Analyst, responded that there are wide swings in variable rate debt and the recommendations tighten up the assumptions to reflect better current estimates. He noted that the Fed stated an intention to keep the Fed funds rate steady for “an extended period.”

Mr. Barrera asked for clarification on the cash for capital portion of the recommendations. Cornelia Potter, Advisory Board Manager for Finance & Policy Review, explained that the MWRA, as part of meeting the coverage requirement called for in the bond covenants, raises a certain amount of cash for the capital program. The recommendations include ensuring that the Authority raise only what is required and no more.

Mr. Laskey noted that the Authority already has lower staffing levels than what the Advisory Board recommends. Joseph Favaloro, Executive Director of the Advisory Board, stated that the Advisory Board applauds the Authority for the many positive things they have done. Moreover, he noted that the scenario presented by the Advisory Board did not include any layoffs or furloughs.

Mr. Barrera asked if the recommendation was for no extra money in the pension. Mr. Romero responded in the affirmative for FY10 that the Authority accrue no more than what was recommended in the actuarial study used in preparing the budget. Mr. Favaloro stated that the Advisory Board is urging a step back to see what is going to change with pension reform. Mr. Barrera responded that he has been around state government for twelve years and there has been talk about pension reform the entire time.

Chairwoman Dunphy stated that cities and towns are facing the same issues with pension funding. She said it is wrong to require cities and towns to send money to over fund MWRA pensions and cut local services. Mr. Laskey responded that two wrongs don't make a right.

Mr. Barrera stated in regard to “future tools” that it was his understanding this money was not available. Mr. Favaloro responded that they included potential tools like the Lehman funds and the release of reserves in case the money becomes available, but are not factored into the \$0 rate increase.

Mr. Laskey questioned what the Advisory Board's goal was in this recommendation. Is it rate relief for ratepayers? Is it positive public relations for helping residents? Mr. Favaloro stated that the Advisory Board's goal to help communities in these difficult times by providing them with their assessments earlier in the year so they can accurately plan their own budgets. We won't tell the communities what to do. Mr. Laskey said so you would not support a call for an across the board \$0 increase (on the wholesale and the retail levels). Board Member Vincent Mannering stated that assessments and rates are two different things. The bottom line is that the MWRA needs to sell more water. Mr. Laskey stated that most of the communities have enterprise funds and are not affected by local aid cuts. Board Member John Carroll stated that is not the point; the point is that people are paying more for everything.

Mr. Barrera stated that he was in support of a low rate increase, but why 0% this year and 5% next? Why not have a 2.5% rate increase in FY10 and a 3% in FY11? Mr. Favaloro responded that we can talk percentages or we can talk dollars. It is the dollar amount that really matters. FY11 is the perfect storm for communities and this is the year to get to a zero dollar increase. Mr. Barrera responded that it seems like a weird year to get to a zero increase, when Debt Service Assistance has been eliminated. Mr. Favaloro said that Debt Service Assistance is gone for the foreseeable future. The state needs a fundamental change of view in investing in infrastructure; funding for Debt Service Assistance has behaved like a yo-yo for years. We need to expand our legislative coverage and strategy to encourage investment. Board Member John Carroll agreed that Debt Service Assistance is not coming back this year.

Mr. Laskey stated that the Authority could get to a zero increase any year if that is what the Board of Directors instructed – although we have a mountain of debt service. However, this approach is asking the MWRA to abandon a strategy that has been in place for years – striving for predictable and sustainable rate increases.

Board Member Joe Foti stated that Chelsea just laid off employees. He stated that the Advisory Board presented a plan with no layoffs. He said if the Authority could have been at 0% all along, why hasn't it been done?

Board Member Jim Hunt stated that he agreed with the Advisory Board that the Authority needs to roll up their sleeves and work hard. He said he had concerns with the out-year projections and the Advisory Board's assertion that there is \$20 million in surplus. Mr. Favaloro responded that the Advisory Board did not say there will be \$20 million increases in the future years. He also noted that the Advisory Board has always agreed with the "sustainable and predictable" rate increase strategy – in fact, the Advisory Board coined that phrase. However, the world has changed and the Authority needs to make changes too.

Mr. Carroll stated that the Advisory Board presented one scenario – can the MWRA staff prepare another scenario to get to a zero increase for the January Board meeting? Mr. Gove asked about other options including a 2% increase.

Mr. Barrera stated that he would like to get as low a rate increase as possible, but wants to do it responsibly. He questioned whether the Advisory Board is willing to cut its own budget. Mr. Favaloro responded that he is a firm believer in practicing what he preaches and has always done so.

Mr. Mannering stated that the state is broke, cities and towns are broke, and pensions are under funded. This is the perfect storm; we have to do something; we can't just always raise rates.

PROGRESS UPDATE ON MWRA'S PCB REMOVAL/ABATEMENT AT WESTERN WATER FACILITIES

In Spring 2007, during hazardous materials testing to classify materials at the Wachusett Dam that were to be removed for disposal and to ensure proper handling during construction, polychlorinated biphenyls (PCBs) were discovered in the caulking of the construction joints. Subsequent tests were conducted at Cosgrove Intake Facility and Shaft A of the Cosgrove Tunnel; test results indicated that both facilities also had PCBs in their construction joint caulking, on the dam face itself, and in the soil at its base. Further testing indicated the presence of PCBs in interior paints on the walls and on the floors. It is important to note that extensive testing performed on water collected entering Cosgrove Intake, as well as extensive surface and depth sampling in water of the north basin of Wachusett Reservoir, confirmed that there were no PCBs present in the water supply.

Staff responded aggressively. In addition to significantly increasing the frequency and location of water testing around the intake, staff began to implement a comprehensive two-phase PCB removal/abatement initiative. Phase 1 consisted of removal of source PCBs on top of the dam to prevent further migration to the north dam face and the soil below, and removal of source PCBs at the Cosgrove Intake facility and Shaft A. Phase 2 consists of removal of the PCB-contaminated efflorescent materials from the dam face, and the surrounding soil at the base of the dam.

To ensure that work could commence as soon as possible, the scope of work was separated into three construction contracts rather than one large contract. To date, two of the three construction contracts have been completed and the final contract is expected to reach completion in late spring 2010.

The approved FY10 CIP includes a total of \$7,291,989 for all PCB removal and abatement work at Cosgrove Intake and Shaft A, the top of Wachusett Dam, and Wachusett Dam face and soil. To date, \$7,291,375 has been authorized for PCB removal under four separate contacts. Including the anticipated changes to Contract 7221 for PCB removal at the Bastion Chamber and more-than-anticipated contaminated soil removal, staff estimate that the cost of all PCB removal at Wachusett Dam, Cosgrove Intake Facility and Shaft A to total \$7,471,875 or \$179,886 over the approved budget amount. This amount will be covered within the five-year CIP spending cap.

UPDATE ON SUSTAINABLE WATER RESOURCES BILL

An Act Relative to Sustainable Water Resources (H.834) was filed and referred to the Joint Committee on the Environment, Natural Resources and Agriculture, which had a hearing on the bill on July 22, 2009. There has been no movement on the bill since. The bill proposes several amendments to the Water Management Act (WMA). The WMA is intended to assist in the comprehensive management of surface and ground water resources in a manner that ensures an appropriate balance amount competing withdrawals. This bill directs the DEP to adopt regulations establishing standards for restoring and maintaining stream flows and water levels that are protective of natural aquatic life for all rivers and streams in the Commonwealth and ensure a balance among competing water withdrawals and uses.

There are aspects of the bill as currently written that significantly concern MWRA. If criteria are established and adopted for all rivers and these criteria mandate considerably higher releases based on a natural flow regime, MWRA water supply needs could become secondary to aquatic resource protection. Trying to maintain a natural flow regime below the dams would greatly interfere with the Authority's primary objective to ensure an adequate and high quality water supply.

Looking ahead, staff are hopeful that recognition of MWRA as a regional water source will be heavily factored into state policy. Staff continue to stress a comprehensive approach that considers the mission and operational constraints of water supplies, the environment as a whole, and that looks upstream of the dams, where our reservoir operations and watershed protection measures ensure the highest quality water, as well as watersheds abounding with significant wildlife and bio-diversity.

Kathy Baskin, Executive Office of Energy and Environmental Affairs, noted that there are two committees looking at this bill and that MWRA has a seat at the table for discussions.

LOCAL WATER SYSTEM ASSISTANCE PROGRAM INCLUSION IN PROPOSED FY11 CIP

Staff recommend including a new \$200 million Local Water System Assistance Program in the FY11 CIP for discussion with the Advisory Board and consideration by the Board of Directors. The proposed new program would provide interest-free loans to member water communities over ten years (FY11-FY20) for a variety of local water system improvement projects. Community loans would be repaid to MWRA over a ten-year period.

The proposed program would continue MWRA's financial assistance for local water system pipeline projects and potentially expand the scope of eligible projects pending discussions with the Advisory Board. Through financial assistance of local projects, MWRA's primary goal is to improve water pipeline conditions to help maintain high quality water as it passes from the treatment plant and regional distribution system through local pipelines to customer's taps. Concurrently with water main improvements, local water systems must balance additional needs such as tank maintenance and rehabilitation, valve replacements, meter system upgrades, water audits, etc.

The FY11 Proposed CIP will include a budget of \$200 million for interest-free loans to member communities and offsetting loan repayments. The net budget impact of this program during the FY09-FY13 cap period was estimated initially at \$54 million. However, staff believe that continued community utilization of loans under the current water pipeline program (of \$256 million approved for the FY00-FY13 period) will increase a gradual ramp-up in use of loans under the proposed program, and as such, the impact of the proposed program was reduced to \$32 million for the cap period to reflect a more realistic cash flow.

As community loan repayments are made, they will be deposited into the MWRA construction fund and the CIP will be credited accordingly. MWRA's exposure to make community loans "interest free" is estimated at \$4.4 million for FY10. This expense is included in the Debt Service line item of the Current Expense Budget.

Staff will work closely with the Advisory Board during its review and comment process and will continue to refine the Proposed FY11 CIP budget planned for Board Approval in May 2010.

UPDATE ON MWRA'S ASSISTANCE TO MEMBER COMMUNITIES IN DEVELOPING EMERGENCY RESPONSE PLANS TO MEET NEW DEP REQUIREMENTS

In mid-2009, in an effort to increase protection against serious water treatment chemical incidents, water security incidents and major natural disasters, DEP announced significant changes in its emergency response and chemical safety requirements. DEP established a deadline of December 31, 2009 for all water suppliers to finalize and submit their Emergency Response Plans (ERPs). Since many of the emergency response scenarios listed by DEP involved MWRA or its assets and since MWRA could develop a comprehensive ERP training program more efficiently than individual communities could on their own, MWRA staff have been providing assistance to member communities to ensure that DEP's deadline is met.

Staff spent significant time and effort updating MWRA's ERP and will submit it prior to the deadline. MWRA has already developed internal standard operating procedures and resources for emergency response.

ERP assistance has been well received and feedback from community participants has been positive. The provision of an annual training program was seen by many as a significant obstacle to completion of local updates and MWRA's program will solve that problem. MWRA staff expect that all communities that have availed themselves of MWRA's assistance will successfully meet the deadline.

Mr. Favaloro said this assistance has been a great example of the Authority taking an extra step. He thanked the Authority for expanding its role and helping the communities.

UPDATE ON STAFFING AND RETIREMENTS

As of December 4, 2009, the headcount for MWRA staffing was 1,210; based on the potential of 15 additional employees who have filed their papers retiring between now and January 31, 2010, the headcount would go to 1,195. This level of staffing would be problematic for maintaining operations and, therefore, is not sustainable.

As discussed at the November Board meeting, a formal weekly review process has been established to ensure that vacant positions are thoroughly reviewed for backfill implications. During this review, open positions are prioritized for backfill by department and division directors. This review includes discussion of positions that have been vacated by the retirement program, as well as through normal attrition. To date, this review has led to the approval of 28 positions for posting, of which 12 positions will likely lead to external hires.

The annual base salary total for the 13 positions that have already become vacant due to retirements is \$865,278. To date, four of these positions have been approved for backfill. To backfill these four positions, the approximate base salary cost is \$307,768. This represents an initial savings of \$557,510 in base salaries, before taking into consideration other positions that may be vacated and not backfilled as a result of these promotional opportunities.