



**MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, March 10, 2010**

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on March 10, 2010 at the Charlestown Navy Yard. **Present:** Chair Ian Bowles, 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. **Absent:** Kevin Cotter, City of Boston Representative; Marie Turner, Town of Winthrop Representative.

REPORT OF THE CHAIR

No Report.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey recognized and thanked Marian Orfeo for her 16 years of service to the MWRA as she has taken a new position with the Broad Institute. Ms. Orfeo expressed her thanks.

Further, Mr. Laskey reported that a facilitated discussion was recently held on the topic of System Expansion. A draft of the minutes of this discussion will be provided to the Board.

APPROVALS

FINAL CSO ANNUAL PROGRESS REPORT 2009

The Board voted to authorize staff to submit the *Combined Sewer Overflow Annual Progress Report 2009* to the Federal District Court by March 15, 2010, in compliance with Schedule Seven of the Boston Harbor Case.

The Final CSO Annual Progress Report for calendar year 2009 describes the progress made by MWRA, in cooperation with the Boston Water and Sewer Commission, the Cities of Cambridge, Chelsea and Somerville and the Town of Brookline, to implement the projects in MWRA's long-term CSO Control Plan in compliance with Schedule Seven. In addition to progress made in 2009, the report describes quarterly progress in the period December 16, 2009 through March 15, 2010. Updated schedules, cost estimates and spending projections are also included.

The FY10 CIP and Proposed FY11 CIP include \$878,007,000 and \$876,304,000, respectively, for the CSO Control Program, including planning, design, construction, land and easement acquisition and permitting.

MARCH PCR AMENDMENT – FY10

The Board voted to approve an amendment to the Position Control Register (PCR).

The amendment is a title and grade change to a vacant position (by way of retirement) in the Field Operations Department to better meet the needs of the Equipment Maintenance Plumbing Shop. The Unit Supervisor position is being amended to a Plumber/Pipefitter position.

The annualized budget savings generated by this amendment will range from \$9,151 to \$25,674 and will likely be at the lower end of this range.

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

The Board voted to approve the extension of the employment contract for Mr. Keith M. Stocks, Senior Laboratory Technician, Department of Laboratory Services, Deer Island, for a period of one year from May 15, 2010 to May 14, 2011 at the current hourly rate of \$18.00, for an annual compensation not to exceed \$37,440.00.

Mr. Stocks has been a contract employee at MWRA since May 18, 2009, performing lab testing and field sampling. He performs prescribed procedures on water and wastewater samples and his additional responsibilities include assisting scientists, compiling and preparing data and operating and performing routine maintenance on laboratory equipment.

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

Board Member Joseph Foti said he has some concerns about using contract employees on a regular basis, especially when those contract employees officially work for someone else while doing contract work at the MWRA. If these employees eventually become an MWRA employee, they could try to "buy back" time toward pension benefits.

Board Member Joel Barrera requested that staff add the topic of contract employees to next month's agenda and provide the Board with a report.

CONTRACT AWARDS

AUDIT SERVICES: KPMG LLP, CONTRACT F209

The Board voted to approve, with Mr. Mannering abstaining, the recommendation of the Consultant Selection Committee to select KPMG LLP to provide Audit Services to the Authority and to authorize the Executive Director, on behalf of the Authority, to execute Contract F209 with KPMG LLP in an amount not to exceed \$383,550.00 for a term of three years from April 1, 2010 to March 31, 2013.

KPMG will provide recurring services to the Authority, including an annual audit of the MWRA's financial statements, financial and internal control reviews, certifications and periodic advice, including an annual letter of comments and recommendations for improvements to the Authority's system of internal controls, as well as an annual certification as to the MWRA's compliance with certain financial requirements of the General Bond Resolution.

There are sufficient funds in the FY10 CEB to pay for the work under this contract. Sufficient funds will be included in the FY11 and FY12 CEB as well.

SELECTION OF UNDERWRITERS: CONTRACT F210

The Board voted to approve the recommendation of the Consultant Selection Committee to select the following investment banking firms to serve as underwriters for fixed rate bond issues and to authorize the Executive Director, on behalf of the Authority, to enter into agreements with the selected firms. Further, to approve the recommendations of the Selection Committee that Citi Group Global Markets, Inc., as first ranked, serve as senior manager for the next fixed rate bond transaction and, for subsequent transactions, to approve the intent of the Selection Committee to assign senior managers in sequential rotation based upon the Selection Committee's ranking order, provided there are no material changes to the firm(s) or in market conditions:

Senior Managers: (1) Citigroup Global Markets, Inc.; (2) J. P. Morgan Securities, Inc.; (3) Bank of America Merrill Lynch; (4) Barclays Capital, Inc.; (5) Jefferies & Company, Inc.;

Co-Managers: Fidelity Capital Markets; Goldman Sachs & Co.; Janney Montgomery Scott, LLC; Morgan Stanley & Co., Inc.; Samuel A. Ramirez & Co., Inc.; and further, to approve the selection of the following firms as the selling group:

Selling Group: Cabrera Capital Markets, LLC; Edward D. Jones & Co.; Leberthal & Co., LLC; Loop Capital Markets, LLC; Mesirow Financial, Inc.; Morgan Keegan & Company, Inc.; M. R. Beal & Company; Raymond James & Associates, Inc.; Roosevelt & Cross, Inc.; Stern Brothers & Co.; Wells Fargo Securities.

MWRA requires investment bankers to provide underwriting services for the bonds issued to fund its multi-billion dollar capital program. The firms selected to provide investment banking services will sell MWRA's debt issuance to a variety of investors including both retail and institutional investors. Beyond selling MWRA bonds to investors, selected firms will also provide recommendations on the structure and timing of a transaction. In order to effectively sell a bond transaction, MWRA requires a well-rounded team of underwriters to serve as senior manager, co-managers and participate in the selling group.

The costs of investment banking services are included in the cost of issuance of bond transactions.

PRELIMINARY DESIGN SERVICES AND OWNER'S REPRESENTATIVE SERVICES FOR SPOT POND STORAGE FACILITY: CAMP DRESSER & MCKEE, INC., CONTRACT 7233

The Board voted to approve the recommendation of the Consultant Selection Committee to select Camp Dresser & McKee, Inc. (CDM) to provide Preliminary Design and Owner's Representative Services for the Spot Pond Storage Facility and to authorize the Executive Director, on behalf of the Authority, to execute Contract 7233 with Camp Dresser & McKee, Inc. in an amount not to exceed \$2,892,096.00 for a term of 52 months from the Notice to Proceed.

This project will consist of two ten-million gallon, buried concrete tanks to provide additional system storage for the Northern Low distribution system. The tanks will provide stabilizing pressures in the Northern Low distribution system supporting Somerville, Malden, Medford, Everett, Chelsea and Charlestown while providing emergency potable water storage to the Boston Low system. This will also lower demand on the City Tunnel System by eliminating the use of pressure-reducing valves to feed the Northern Low system from the City Tunnel System during normal operations. In addition, the proposed project will include an underground pump station that will supplement the Gillis Pump Station providing pumping redundancy to the 21 communities served by the Northern High and Northern Intermediate High pressure zones.

CDM proposed a well-qualified and diversified project team with relevant tank, pump station and design/build experience. Selection Committee members felt that the level of effort was appropriate for the scope of services requested and the costs were reasonable. All of the firms that bid proposed lower-than-anticipated level of effort and costs for the project. Proposed costs ranged from 14% to 34% below expectations. All proposers were able to provide substantial cost savings by using the specifications for the recently completed Blue Hills Covered Storage Design/Build project as a model for the Spot Pond project. In addition, CDM also offered discounted indirect costs in all tasks (10% less for office and more than 15% for field) and discounted its fee by 29% from the allowable 12% to 8.5% for design tasks. The Selection Committee was unanimous in recommending CDM based on the firm's experience, past performance and lower overall project cost.

The FY10 CIP includes a budget of \$5,502,000.00 for Contract 7233.

Board Member Vincent Mannering stated that the Authority has already done design/build contracts on two Covered Storage facilities (Norumbega and Blue Hills) – why would the Authority's estimate include more than a 20% higher level of effort? Director of Water Engineering Jae Kim stated that MWRA's budget was based on the Blue Hills budget, plus a pump station. It appears that all of the bidders used Blue Hills as a model and they were able to streamline the process; further, CDM has vast experience having worked on the Blue Hills project. Mr. Laskey noted that the risk is on CDM should they require a higher level of effort.

CONTRACT AMENDMENTS/CHANGE ORDERS

DEER ISLAND GUARD RAIL AND MISCELLANEOUS FENCE AND GATES: PREMIERE FENCE, LLC, CONTRACT 6760R, CHANGE ORDER 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 2 to extend the term of Contract No. 6760R with Premiere Fence, LLC, Deer Island Guard Rail and Miscellaneous Fence and Gates, by 49 calendar days to April 9, 2010, with no increase in contract amount.

Contract 6760R expired on February 19, 2010. Staff identified the need for replacement fencing at MWRA's Cottage Farm Facility; therefore, staff recommended an extension of Contract 6760R by 49 calendar days through April 9, 2010. There are presently approximately \$55,000 in available funds remaining in the contract. Staff estimates that all necessary fencing work at Cottage Farm will cost approximately \$41,600, which will leave a remaining balance of approximately \$13,400.

CORRESPONDENCE TO THE BOARD

LETTER FROM SOUTHBOROUGH DELEGATION RE: NICHOLS HOUSE MUSEUM PROPOSAL

Mr. Laskey stated at a previous Board meeting, discussion was held on a request to utilize an old house located on property at MWRA's Southborough facility as a Museum. The consensus of the Board was that MWRA should not host this museum, but the Board would allow the Town to take the building and relocate it.

The MWRA has received a letter from the Senators and Representatives from Southborough requesting to come before the Board of Directors to address this issue.

Mr. Barrera asked if the MWRA does not want to host this museum because it is a security concern. Mr. Laskey said security is a large part of it – this would be a place where people would be coming and going on nights and weekends. Additionally, the MWRA allowed a “ship museum” on MWRA property in Quincy, which resulted in negative impacts for the Authority. MWRA didn't subsidize the ship museum but “headaches” were involved because the ship was on MWRA property. Mr. Laskey noted that this is a well-intentioned project and a good cause and it would be wonderful if it could come to fruition as long as it is not a burden to the MWRA. The Advisory Board feels strongly that the ratepayers should not pay for it.

Board Member Michael Gove asked about a performance bond or an assurance for interim costs should the museum go out of business. Mr. Laskey said there have been conceptual discussions on all of those things and they have a \$75,000 to \$100,000 stipend to utilize. Public Affairs Director Michael Morris added that they cannot raise funds for the project until they have the building.

Mr. Laskey noted that the whole campus is considered an historic area. The house is a duplex that was moved to its current location when the reservoir was flooded. Staff had planned to have the house demolished and had been in touch with the Southborough Fire Department about using the house for a training exercise.

Board Member John Carroll said the Board needs a review of the security issues.

Mr. Laskey noted the MWRA would have to pay \$30,000 to \$50,000 to have the house torn down, so it could offer those funds toward having the house moved.

Mr. Gove asked if the building could be moved to another section of the MWRA property and be given to Southborough. Mr. Laskey said staff would look into it.

The consensus of the Board members was that the legislators are welcome to come to speak with the Board.

INFORMATION

DELEGATED AUTHORITY REPORT- FEBRUARY 2010

Staff presented a listing of actions taken by the Executive Director under delegated authority for the period February 1 through February 28, 2010.

Mr. Gove asked why the MWRA needs seven multifunctional copiers at the Deer Island Treatment Plant. Mr. Vetere said there are different work groups throughout the Deer Island complex covering a large physical area; it is more efficient to have a copier at each location.

FISCAL YEAR 2010 PRELIMINARY FINANCIAL UPDATE AND SUMMARY AS OF FEBRUARY 2010

Budget Director Kathy Soni reported that total year-to-date expenses are lower than budget by \$22 million (or 5.6%) and total revenues are greater than budgeted by \$60,000, for a net variance of \$22.1 million.

The February results reflect some variances solely related to timing, such as underspending of \$2.8 million for deferring the voluntary pension contribution and Direct Expense underspending of \$2.5 million. After these adjustments, the year-to-date net variance would be \$16.8 million. Of this, the largest variance is for the favorable variable rate in Debt Service of \$12.6 million and lower direct expenses of \$3.6 million mostly for maintenance spending, Wages and Salaries and Chemicals.

Staff projects the year-end surplus to grow to approximately \$24 million. If market conditions remain unchanged for the remainder of the fiscal year, Debt Service expense is projected to be \$20.2 million below budget and direct expenses are projected to be \$4.6 million under budget.

Staff is planning to use the projected surplus to defease debt in June 2010, which will provide rate relief in the future years. This approach is consistent with the Authority's multi-year strategy of providing predictable, sustainable and reasonable rate increases to its communities.

Mr. Barrera asked staff to talk about the philosophy of making the \$2.8 million voluntary pension contribution and what the plan is. Director of Administration and Finance Rachel Madden stated that this has been a matter of interest of the Advisory Board. Staff wants to ensure that the favorable variances last through the year before releasing the payment; staff will return to the Board for approval before executing that payment.

Mr. Mannering asked staff what will be done with the remaining \$24 million surplus; how under-funded is the pension fund? Ms. Madden said staff plans to use the surplus for defeasance. MWRA Treasurer Tom Durkin stated that the pension fund is at 74% funding, with a new valuation expected in weeks; \$74 million is needed to get to full funding.

Mr. Mannering asked if an analysis has been done on putting surplus funds into the pension fund – would it get a better “bang for the buck”, rather than defeasance? Ms. Madden said staff has not done an analysis of defeasance versus pension at this time; however, the Board's vote from February included defeasance as one of the tools used to achieve a 1.49% rate increase for FY11. Mr. Laskey said the Advisory Board's push for a 0% rate increase changed the paradigm and strategy. The strategy had been to aggressively fund the pension liability to get to fully funded and then decide what to do with OPEB. Staff couldn't do that and lower rates, so abandoned that strategy in FY11 in favor of rates management. Ms. Madden commented that this is a short-term deviation from the long-term strategy to provide relief in the immediate years.

UPDATE ON REVENUE BOND ISSUANCE

MWRA Director of Administration & Finance Rachel Madden stated that the 58th Supplemental Bond Resolution authorizes the issuance of up to \$250 million (comprised of \$100 million in new money, \$75 million of restructuring bonds and \$75 million in other refunding opportunities) in senior fixed rate revenue bonds. The bonds issued under this supplemental resolution will carry fixed interest costs and maturities. Fixed rate debt was selected over variable rate bonds to provide some certainty in budgeting and not increase MWRA's exposure to the fluctuations in the variable market. In addition to the fluctuations in interest rates, issuing fixed rate debt will also remove the outside risks associated with remarketing agents and standby bond purchase agreement providers.

Staff intends to restructure maturities of the 2008 Series D and E bonds valued at \$75 million. The remaining portion of the issuance authorization was up to \$75 million to complete a refunding for interest rate savings. Although interest rates on the fixed rate debt continue to remain at historically low levels, the earnings on the refunding escrow also continue to be low limiting the viability of most advance refundings for savings. Currently, the MWRA has two series of bonds that could be refunded, which meet the 4%

minimum threshold for present value savings. The Authority typically sets a 4% present value savings as a refunding threshold to ensure that any costs associated with the transaction are offset by substantial debt service savings. These include the August 1, 2028 and 2029 maturities of the 1998 Series A and the August 1, 2021, 2025 and 2026 maturities of the 2002 Series B bonds.

As of March 2, 2010, these maturities provided for a present value savings of \$2.9 million or 4.1%. This would result in savings of approximately \$125,000 per year between FY11 and FY21, with varying amounts after 2021. Since these bonds would be refunded for savings, the years when the principal matures would not change; only the interest expense associated with those bonds would be affected. Changes in market conditions will impact the MWRA's ability to refund these bonds for savings, which could result in larger savings or make the transaction uneconomical. Staff will continue to monitor market conditions to determine if refunding meeting the 4% threshold is available.

There are sufficient funds available in the FY10 CEB to pay the debt service costs associated with these borrowings. Any refunding transaction that may develop would reduce future debt service. The amount of the reduction will be determined based upon market conditions and the ultimate pricing of the refunding transaction.

INFILTRATION/INFLOW LOCAL FINANCIAL ASSISTANCE PROGRAM UPDATE

MWRA Senior Program Manager Carl Leone noted that the Board of Directors has approved a total program budget of \$260.75 million (from FY93 to FY18) for the Infiltration/Inflow (I/I) Local Financial Assistance Program. The funds are allocated among the 43 MWRA sewer communities based on respective shares of overall MWRA wholesale sewer charges. Financial assistance is distributed for approved projects as a 45 percent grant and a 55 percent interest-free loan. The loan portion is repaid to MWRA over a five-year period. The program goal is to assist member communities in improving local sewer system conditions to reduce I/I and ensure ongoing repair/replacement of the collection system, which is a critical component of MWRA's Regional I/I Reduction Plan.

A total of \$190 million in funding has been distributed to fund 381 local I/I reduction and sewer system rehabilitation projects. Distribution of the remaining \$71 million in funds has been approved through FY18.

During CY04, the program was modified by the addition of sunset provisions for the grant portion of community financial assistance allocations. On the sunset date, any undistributed grant portion of financial assistance funds will no longer be available for use by the member community. The undistributed grant portion will be removed from the community allocation and the total program budget. The loan portion, as allocated under all phases, will remain available throughout the term of the program.

The FY10 CIP includes a budget of \$122,594,000 for grants to the communities (loans are offset by repayments). The FY10 CIP includes future funds for the Program's Phase 8, projected to begin in FY14. Community loan repayments are deposited into the MWRA construction fund.

UPDATE ON DEER ISLAND POWER OUTAGE

Director of the Deer Island Wastewater Treatment Plant John Vetere updated the Board on a total and unexpected power outage from NStar that Deer Island experienced at approximately 11:27 a.m. on Thursday, February 25, 2010. At the time, Deer Island was pumping and treating approximately 656 million gallons per day or approximately 50% of maximum plant capacity.

The cause of the outage was eventually traced back to Verizon maintenance crews working at both the NStar South Boston K Street Power Station and the Harbor Energy Electric Company-owned (HEEC, an NStar subsidiary) DITP Station 132. Verizon crews had been responding to an intermittent communication problem for NStar. Although these crews were not working directly on any electrical equipment, their work triggered a fault signal ("transfer trip lockout relay") on NStar's control system that caused a total power loss to DITP at Station 132.

Staff commenced an emergency start plan of Deer Island's back-up power generators (the combustion turbine generators) and power was restored to the first pumps within nine minutes of the outage, which is significantly quicker than in previous outages. No discharge of untreated wastewater occurred due to the ability to quickly restart pumping operations. All critical systems were restored to normal operations within

the first hour. All other unit operations were restored to normal within three hours from the start of the event. A number of substations required manual switching in the field.

Deer Island was fully reconnected to NStar power by 2:48 p.m. The first CTG continued to operate at this point and the second CTG was connected at 4:26 p.m. in anticipation of the high flows due to significant rains that started in the New England area.

Mr. Barrera asked what would have happened if it had taken too long to get the power restored and there were high flows. Mr. Vetere said staff would have had to open outfalls at Nut Island and discharge some untreated sewage into the ocean. With flows at that level, staff only has eight minutes before it would start to overflow.

Mr. Barrera asked if the MWRA has a communication plan in place for the public. Mr. Vetere said we have a Deer Island Wet Weather Notification in place where notices are sent to 60 to 80 people in the Public Affairs group and they make notifications to those that need to know. Mr. Laskey noted that every step is to protect the stations up and down the line and to get the plant up and running.

Board Member Jim Hunt asked if the Verizon/NStar work was routine maintenance or emergency maintenance. Mr. Vetere said NStar had signals that were not being transmitted back and forth and felt it was responsible to have Verizon check it out. NStar did not notify the Authority that this work was being done; however, if they had notified us, we probably would have let them go ahead with the work because we had no indication there would be a problem.

Mr. Mannering asked if it was negligence. Mr. Vetere said NStar is conducting that interview/investigation with Verizon. MWRA has made a written demand to NStar to tell us what they plan to do to correct this issue and for cost recovery.

COTTAGE FARM CSO FACILITY – OIL SPILL UPDATE

MWRA Chief Operating Officer Michael Hornbrook stated that on February 10, 2010, at about 12:15 a.m., an MWRA roving operator discovered that approximately 2,500 gallons of diesel fuel was leaking from the Cottage Farm Combined Sewer Overflow (CSO) Treatment Facility on Memorial Drive in Cambridge; approximately 600 gallons of this spill migrated into the Charles River. Corrective measures commenced and regulatory notifications were made.

This is an unstaffed facility because it operates only a few times each year during wet weather. During large storm events it provides screening, disinfection and dechlorination treatment of up to 230 million gallons per day of combined sewage and discharges to the Charles River. The facility has two 7,500-gallon underground fuel tanks that support the heating boiler and the large diesel pumps that operate during severe wet weather when the facility activates. The underground tanks have air vents that are attached to the outside of the building above the roof. The spill occurred after the delivery of fuel on the previous day; fuel deliveries at the facility are only required approximately once per year.

During the heating season, the fuel within the system must be continuously circulated to feed the boiler for heat. This requires staff to isolate one of the underground fuel tanks by manually opening and closing fuel system valves while a fuel delivery is being made. This is the only MWRA facility with this type of diesel fuel piping and valve arrangement. Staff have determined that the manual valves were incorrectly aligned after the filling operation the previous day causing the circulation pump to transfer the contents of one underground tank to the other. The Operator that aligned the valves after the fuel delivery was unaware of the need to adjust the return valve to the first tank. This resulted in one tank overflowing with fuel discharging from the vent above the roof. Excess fuel was found to be leaking down the face of the building and along the ground.

MWRA staff shut down the fuel feed system and placed a containment boom on the ground to prevent fuel that was running across the ground from entering the Charles River. The Cambridge Fire Department arrived on site at 2:50 a.m.; staff from the Massachusetts Department of Environmental Protection (DEP) arrived at 2:53 a.m. and MWRA's emergency remediation contractor, Clean Harbors, was called at 2:51 a.m.

Upon further inspection of the shoreline, it became evident that fuel oil had also entered a roof drain with piping inside the building that eventually discharges into the Charles River. The U.S. Environmental Protection Agency (EPA) and the Coast Guard were then also notified.

At approximately 6:00 a.m., Clean Harbors began removing fuel from the river under DEP's direction. A containment boom was placed in the river adjacent to the shore of the facility with a second boom deployed downstream at the BU Bridge. Observable fuel in the river was limited to the river bank and ice adjacent to the facility in an area within the boom of approximately 3 feet wide and 300 feet long along the river bank.

MWRA's Licensed Site Professional indicated that the river clean-up was completed by February 12, 2010. Clean Harbors has also now completed all other immediately-required related clean-up activities at the site, including the facility roof, influent structure chambers, wet wells and pipelines, and contaminated soil in the facility yard and along the shoreline (with the exception of the final area still under consideration for remediation near the vicinity of the Chemical Building). The containment boom near the shore remains in place to ensure that even the slightest residual sheen is captured and removed. The containment boom at the BU Bridge had been removed.

Staff are working with a fuel storage tank service contractor to make physical modifications to the fuel system so that there will be either a connection between the two underground fuel tanks or to completely separate tank piping to prevent overfilling of one of the tanks from the other. In addition, staff have developed a site-specific Standard Operating Procedure for receiving fuel oil at the Cottage Farm Facility. An Emergency Action Plan has been developed to formalize and expedite the notification process.

The cost of remediation efforts undertaken to date at Cottage Farm is estimated at approximately \$489,000 for Clean Harbors for removal and disposal of contaminated water and soil, and approximately \$48,000 for EnviroSense, Inc. (MWRA's Licensed Site Professional) for oversight of Clean Harbors, field screening of contaminated soil to determine the extent to be removed and laboratory analysis of soil samples. Estimated MWRA staff costs, including overtime to date, is approximately \$27,000 with other miscellaneous costs at \$13,500.

Board Member Andrew Pappastergion asked if any MWRA staff members were at this location. Mr. Hornbrook said an MWRA operator isolated the tank to get the fuel delivery earlier that day.

Mr. Carroll asked why the MWRA doesn't develop its own clean-up team; it cost the Authority hundreds of thousands of dollars for Clean Harbors. Mr. Laskey said the Authority has a hazardous materials team.

Mr. Hunt asked if there would be a benefit to having our own contract. Mr. Foti noted that with a contract, MWRA would have better control over what the final number is going to be. Mr. Hornbrook said he would look into it, but he also noted that MWRA has to respond to EPA and DEP, which reserve the right to take any action they see fit.

LOCAL PIPELINE ASSISTANCE PROGRAM UPDATE

Mr. Leone stated that 30 of the 42 eligible member water communities have participated in MWRA's \$257 million Local Pipeline Assistance Program (LPAP). Through the February 2010 (ten years of the thirteen-year program), \$176 million in interest-free loans has been distributed to member communities to finance 207 projects that will help maintain high water quality in local distribution systems through pipeline replacement or cleaning and lining projects. Community loans are repaid to MWRA over a ten-year period. All scheduled community loan repayments have been made, a total of over \$74 million.

The LPAP is a critical element of MWRA's Integrated Water Supply Improvement Program and was a component of the Board's October 1998 treatment technology decision for the John J. Carroll Water Treatment Plant (CWTP). The rationale for the program is that funds spent on improving local water distribution systems provide greater water quality benefits than spending the same funds for filtration. In addition, the program promotes the use of distribution system best management practices at the local level.

LPAP loan funds were allocated to member water communities based on their percent share of unlined water pipe. MWRA's partially supplied communities received pro-rated shares based on their percentage use of MWRA water. After initiation of the Program, funds have been added for Lynnfield (\$320,000),

Stoughton (\$4.48 million), Reading (\$1,916,000), Dedham-Westwood (\$7,500) and Wilmington (\$73,000). On December 15, 2004, the Board of Directors approved a revision to the program guidelines to allow existing program funds to be distributed for three additional years (FY11 to FY13) reflecting the actual community borrowing patterns, an average of about \$19 million per year.

Through February 2010, \$176 million in interest-free loans has been distributed to finance 207 projects that will help maintain high water quality in the local distribution systems. Project costs have averaged about \$120 per foot for the 345 miles of pipe rehabilitated using MWRA funds over the last 13 years. At this unit cost, the total \$257 million program will fund about 405 miles of water main rehabilitation. At the end of the existing program, about 2,100 miles of unlined water pipe will remain in local community systems, representing a regional need of about \$1 billion to \$1.5 billion for future water main rehabilitation costs.

Although the program funds are approved for distribution through FY13, FY10 is the last year new funds will become available under the ten-year annual allocation. An additional \$200 million in interest-free loan funding for community water projects has been included for consideration in the proposed FY11 CIP. Staff recently met with the Advisory Board Operations Committee to discuss the proposal. Further Advisory Board discussions are anticipated as part of the Advisory Board's CIP review.

As community loan repayments are made, they are deposited into the MWRA construction fund. MWRA exposure to make these loans "interest-free" is included in the debt service line in the CEB; \$4,500,000 has been budgeted in the FY10 CEB.

Mr. Gove questioned why the CVA communities are not eligible for this program. Mr. Leone said this program was targeted to the filtration decision for the Carroll Water Treatment Plant. CVA communities are separate. If staff receives a favorable recommendation, we would go to the CVA communities to see if they want to do their own program.

This summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Mary Ann McClellan at the Advisory Board office with questions, comments or requests for more information.