

MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, May 12, 2010

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on May 12, 2010 at the Deer Island Treatment Plant. **Present:** Chair Ian Bowles, Joel Barrera and Michael Gove, Gubernatorial Appointees; John Carroll, Andrew Pappastergion and Joseph Foti, Advisory Board Representatives; Vincent Mannering, Kevin Cotter and James Hunt III, City of Boston Representatives; Jack Walsh, City of Quincy Representative; Marie Turner, Town of Winthrop Representative.

REPORT OF THE CHAIR

Chairman Ian Bowles, on behalf of the Governor, commended Mr. Laskey and staff for their handling of the break at Shaft 5A.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey provided an update on the Shaft 5A water main break in Weston. He reported the system was running and in recovery mode at the site. Crews are still trying to locate the missing collar that has been determined to be the point of failure. Barletta has been hired to dredge the dirt pushed into the river, although they have yet to find the collar despite the involvement of state police divers. State police are concerned about the dam in Waltham and are going to use high tech sonar system to look for the collar up river. MWRA staff continues to look for records that are being requested by the media.

MWRA General Counsel Steve Remsberg stated that unless it can be shown that there was property damage or bodily injury, it was unlikely that any businesses or individuals would be able to recover anything from an entity like the MWRA.

Mr. Laskey said that at this point, no conclusions could be drawn about the collar and what happened to it. Chief Operating Officer Michael Hornbrook stated that staff was working through boxes of documents to get information.

Mr. Laskey stated that the search for the collar is under way; it may be under the concrete that had been poured to restore service at Shaft 5A. The Board will have to decide if it is worth the money to recover it (e.g. breaking through concrete, finding the collar within the concrete, restoring concrete, all without interrupting service).

Board Member Jim Hunt asked the costs of search were so far including the costs of the State Police. Mr. Laskey responded that he wasn't sure of all the pieces of costs but staff will have the breakdown of costs available later.

Mr. Hornbrook stated that the original design was for a flange joint, embedded in reinforced concrete; the contract changed to a coupling at some point.

Mr. Bowles stated that he and Mr. Laskey are seeking best practices for organizing an independent panel, which will feature outside counsel and experts. There are questions that should be answered including what happened and why it happened and what other potential parts of the system are affected. Mr. Laskey noted that staff was looking for the right mix for the independent panel including civil and geotechnical engineers, experts in metallurgy, forensic analysts, focusing on those who have not done business with the MWRA. One goal is to balance between skills and independence. Chairman Bowles stated that professors or deans of engineering schools with no government experience might be valuable additions. Mr. Carroll

asked if the panelists would be asked to serve pro bono. Mr. Bowles indicated that it would be best for the Authority.

Mr. Mannering stated that it is important to have people with experience in the field, not just theoretical knowledge or experience in academia.

Board Member Joel Barrera asked if there should be an emergency meeting of the Board of Directors. Chairman Bowles responded that there should be one and it will be scheduled in the next week or the following week.

Board Member Jim Hunt asked when the Authority would bring in outside staff. Chairman Bowles responded that the panel might need to make its own selection for outside expertise. Mr. Laskey responded that a lot of these needs are specialized and there may not need to be a bid. He indicated that in most cases, the staff may use delegated authority to procure services.

Mr. Laskey stated that site work continues, as does the search for the collar. He noted that some hotspots were found near the break; one was dismissed, but there are more to explore before looking under or in the concrete. He noted that staff were looking at the records and assessing other sites with use of similar collars.

Mr. Laskey also noted that staff continues to work on the sequencing and timing of the Hultman project to redesign or restructure planned work to pick up some time. That may shift other projects around or forward.

In addition, staff are compiling costs to the Authority of the break, including state Police and overtime costs to get an accurate accounting of the direct costs to the Authority.

DISCUSSION

RECOMMENDATIONS RE: INDEPENDENT PANEL TO INVESTIGATE MAY 1, 2010 WATER MAIN BREAK

The Board voted to direct staff to make recommendations to the Board to allow for discussion and consideration of matters involving litigation strategy, including appropriate coordination of efforts as among the commencement of litigation, the potential retention of special legal counsel and preservation of the work product of an investigatory panel regarding the water main break of May 1, 2010.

APPROVALS

INFORMATION TECHNOLOGY STRATEGY PLAN CONSULTANT ENGAGEMENT

The Board voted to authorize staff to publicly advertise and solicit proposals from qualified vendors for professional services in the development of a Strategic Information Technology Plan.

The specific tasks of this project include, but are not necessarily limited to the following:

- Assess the MWRA's business environment through a series of interviews with key MWRA management and line staff.
- Evaluate and document current systems hardware, operating systems, application software, databases, development tools, database management systems, network communication system and technical support staffing levels as they relate to applications currently in use and applications considered for future use.

- Based on the foregoing analysis, document a series of short-term recommendations regarding the business procedures of the MWRA and its utilization of automation resources.
- Prepare a final report, which includes recommendations regarding alternate MWRA business procedures, automation resource strategies, and technical resource development. The final report must also include a detailed 5-year action plan with associated resources requirements, estimated costs and benefits.

Staff recommends the development of a Strategic Information Technology Plan. With will included detailed recommendations designed to ensure that the MWRA continues to maximize its return on technological investment through increased productive and operations efficiency.

As part of the spring revisit, the Proposed FY11 Current Expense Budget will contain funding for this procurement.

In response to a question from Mr. Mannering, Ms. Madden noted that the responsibility for the plan rests with the Director of Administration and Finance.

DELEGATION OF AUTHORITY TO EXECUTE A CONTRACT FOR THE PURCHASE AND SUPPLY OF ELECTRIC POWER FOR MWRA INTERVAL ACCOUNTS

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a contract for the supply of electric power for 25 Interval Accounts consisting of the John J. Carroll Water Treatment Plant, the Clinton Wastewater Treatment Plant, and the larger Field Operations accounts, with the lowest responsible and eligible bidder, for the period and pricing structure selected, and for a contract term not to exceed 42 months from the issuance of a Notice to Proceed. This delegation of authority is necessary because MWRA will be required to notify the selected bidder within a few hours of bud submittal to lock in the prices in a constantly changing market.

The existing competitively bid electric power supply contract for the Interval Accounts, which expires in November 2010, includes a base block at a fixed price, with the variable load above the base block purchased from the variable rate market. Market prices have remained low over the past several months and staff believe there is potentially a greater risk of seeing increased pricing by waiting until fall to solicit bids.

Although the existing contract for the Interval Accounts does not expire until November 2010, staff believe that there may a good opportunity to lock in fixed pricing for a block of power if the forward price curves continue to remain low prior to the onset of normally volatile summer demand pricing.

There are 25 Interval Accounts including the Water Treatment Plant, the Clinton Wastewater Treatment Plant and the larger Field Operations accounts.

The contract effective date will commence upon the execution of a power purchase supply agreement between MWRA and the selected supplier and will extend for a period of time not to exceed 42 months depending on the supply term selected by MWRA. Bids will be sought to supply a base block at a fixed-price per kWh plus a fixed fee adder to purchase and supply the variable load above the base block.

The proposed FY11 CEB contains \$6,036,600 for the Field Operations Department's Interval Accounts electricity supply, which includes both the cost of energy and the transmission and distribution costs charged by the local distribution companies. The price of electricity purchased on the open market and Basic Service prices for electricity are not known for the proposed contract durations. The overall benefit or cost of competitive supply cannot be determined until

staff make a final comparison of the fixed-bid costs, actual spot-market prices, and Basic Service pricing over the term of the contract.

MEMORANDUM OF AGREEMENT BETWEEN MWRA AND THE TOWN OF SAUGUS FOR CONTRACT 6584.

LYNNFIELD/SAUGUS PIPELINES PROJECT

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a Memorandum of Agreement with the Town of Saugus for cost sharing and cooperation necessary for the inclusion of 5,900 linear feet of local Saugus water main as part of Contract 6584, Lynnfield/Saugus Pipelines Project.

On July 18, 2007, the Board approved a cost sharing agreement between MWRA and the Town of Saugus for the design of a single construction contract for two new separate water mains along Route 1 in Saugus to improve both MWRA's and Saugus's water systems. In an effort to realize potential cost savings and to minimize traffic impacts on Route 1 during construction, staff inform the Board that they would return at a later date to seek approval of a separate agreements for combining the actual construction of both pipelines into a single contract. The design of the pipelines is now complete and staff have negotiated an agreement with Saugus for sharing the construction costs proportionate to the cost for each party's proposed infrastructure, which, based on the construction cost estimate of \$6,246,188, is 72% or \$4,495,328 for MWRA and 28% or \$1,750,860 for Saugus. MWRA's water mains consist of 1,800 feet of 36-inch pipeline and 4,700 feet pf 24-inch pipeline; the Saugus water main will be 5,900 feet of 12-inch pipeline. MWRA's water main is longer, has a diameter that is two to three times larger, and it includes new valve chambers and a new meter for the Lynnfield Water District. Staff plan to advertise the construction contract for bidding this spring. Under the proposed construction costs sharing agreement, MWRA will administer the contract and the Town of Saugus will reimburse MWRA for approximately 28% of the cost.

The approved FY10 CIP includes a budget of \$6,500,000 for Contract 6584.

Mr. Laskey stated that the Town of Saugus is paying the full cost of their share and taking advantage of the dual project. He noted that it would be a difficult project on Route 1.

Board Member Joel Barrera asked how people would be notified about the project. Mr. Laskey stated that there was a long history behind the project and the Advisory Board should be credited with saving the Authority money. He said this is going to be a very difficult project; he credited MWRA Advisory Board Executive Director Joe Favaloro for saying the MWRA will not pay for the Saugus costs of the project.

MAY PCR AMENDMENTS – FY10

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

The amendment is a title, grade and location change to a filled position in the Planning Department to better meet the needs of the Public Affairs Department. This change addresses increased responsibilities assumed by an incumbent employee due to organization changes in Planning, Public Affairs and Emergency Preparedness. The annual budget impact of this PCR amendment will be a cost of \$4,205. Staff will ensure that the cost increase associated with this PCR amendment will not result in spending over the approved FY10 Wages and Salaries budget.

EXTENSION OF EMPLOYMENT CONTRACT, PRINCIPAL CIVIL ENGINEER, DEER ISLAND TREATMENT PLANT

The Board voted to approve the extension of the employment contract for Mr. William A. Haynes, Principal Civil Engineer, Deer Island Treatment Plant, for a period of one year from June 1, 2010 to June 1, 2011 at the current hourly rate of \$46.65, for an annual compensation not to exceed \$54,581.

There is a significant amount of ongoing construction work taking place on Deer Island and there is a need for project-related support staff to assist in resident engineering, change order/contractor submittal review, and to perform other important construction administration tasks. Since June 6, 2005, Mr. William A. Haynes, has been supplementing existing Deer Island staff on a part time basis. Present staffing needs do not warrant the creation of a permanent, full-time position. However, the project schedule of construction work on Deer Island does warrant the continued need for this part-time position for at least another year. Mr. Haynes possesses 34 years of engineering and construction management experience working with the New England Corps. of Engineers. His past experience includes work on wastewater treatment plant and wastewater collection system projects. Funding for this contract is included in the FY10 CEB and will also be included in the Proposed FY11 CEB.

CONTRACT AWARDS

TECHNICAL ASSISTANCE CONSULTING SERVICES – SURVEYING: GEOD CONSULTING, INC., CONTRACT 591TA

The Board voted to approve the recommendation of the Consultant Selection Committee to select GEOD Consulting, Inc. to provide technical assistance consulting services – surveying and to authorize the Executive Director, on behalf of the Authority, to execute Contract 591TA with GEOD Consulting, Inc. in an amount not to exceed \$150,000 for a term of three years, and to authorize a Notice to Proceed for the first year in an amount not to exceed \$50,000. Further, to authorize the Executive Director, on behalf of the Authority, to approve separate Notices to Proceed, if recommended by staff, to commence the second and third years of Contract 591TA, for the same yearly not-to-exceed amounts.

The purpose of this technical assistance contract is to make available, on a continuing as-needed basis, the services of qualified, professional surveying engineers to assist MWRA staff on small, unanticipated or emergency projects. Twelve proposals were received; GEOD submitted the lowest cost. GEOD has qualified surveying staff with many years of experience; the firm's experience and satisfactory past performance includes work on previous MWRA projects including Mystic Valley Sewer, Section 160. GEOD has also worked on projects for a number of private companies and several other government agencies, including various city and town water departments.

The FY10 Capital Improvement Program budget includes \$150,000 for this Surveying Technical Assistance contract.

DESIGN AND INSTALLATION OF BACK PRESSURE STEAM TURBINE GENERATOR, DEER ISLAND TREATMENT PLANT: J.F. WHITE CONTRACTING CO., CONTRACT 6973A

The Board voted to approve the award of Contract No. 6973A, Design and Installation of Back Pressure Steam Turbine Generator, Deer Island Treatment Plant, to the lowest eligible and responsible bidder, J.F. White Contracting Co., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$1,338,000 for a term of 240 calendar days from the Notice to Proceed.

The On-Site/Thermal Power Plant has one large 18-megawatt steam turbine generator that uses the steam energy produced by two power boilers to provide process and facility heating and electrical generation at Deer Island.

The project will reduce the amount of steam energy that gets discharged and improve boiler efficiency while increasing renewable energy production by approximately 5,400,000 kWh per year, resulting in an estimated savings of \$500,000 per year. The estimated payback period is six

years. The steam turbine generator, provided under separate contract, was delivered May 11. Staff anticipate the generator will be online by next summer. O&M costs are estimated at \$30,000 per year, while maintenance services would be provided by an outside contractor.

This additional electrical generation will be credited towards MWRA's goal of 30% renewable electricity consumption by 2020, which is the deadline established under the Governor's Executive Order 484.

Contract 6973A was advertised and bid; three proposals were received. J.F. White's bid is 7.5% lower than the Engineer's Estimate. J.F. White has teamed up with The Shaw Group and The Lydon Company for the complete integration of the back pressure steam turbine generator into the On-Site/Thermal Power Plant. MWRA staff have been satisfied with J.F. White and its team's past performance.

The FY10 Capital Improvement Program includes a budget of \$2,500,000 for Contracts 6973 (\$1,045,000) and 6973A (\$1,338,000). With the addition of Contract 6967, Preliminary Design/Owner's Rep. Services (\$500,833), the total project cost is \$2,883,833. Based on the anticipated substantial renewable energy production resulting from this project of 5,400,000 kWh per year, staff estimate the payback period of the total project to be approximately six years.

Mr. Mannering asked about the warranty on the generator. Staff responded that it was a one-year warranty.

ROOF REPLACEMENTS-PHASE II, DEER ISLAND TREATMENT PLANT: RELIABLE ROOFING & SHEET METAL, LLC, CONTRACT 6196

The Board voted to approve the award of Contract No. 6196, Roof Replacements-Phase II, Deer Island Treatment Plant, to the lowest eligible and responsible bidder, Reliable Roofing & Sheet Metal, LLC, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver aid contract in the bid amount of \$2,369,000 for a term of 365 calendar days from the Notice to Proceed.

The Deer Island Treatment Plant is comprised of 52 buildings that were built between 1992 and 1999 as part of the Boston Harbor Project. As part of a comprehensive and on-going maintenance program at Deer Island, staff conduct annual condition assessments of the roofing systems on all of the buildings. To date, there have been four previous contracts in connection with the replacement of more than half of the larger building roofing systems at a total cost of approximately \$4,100,000. Contract 6196 is the second phase of a larger initiative to replace Deer Island's roofing systems as needed.

Contract 6196 was advertised and bid; six bids were received. Reliable Roofing & Sheet Metal, LLC's bid is within 8.9% of the Engineer's Estimate. Staff is confident of their ability to perform the work.

The FY10 CIP contains \$4 million for roof replacement at Deer Island. There are sufficient funds for Contract 6196.

Board Member Joe Foti, noting that the bid of Capeway Roofing Systems (the low bid) was not accepted due to poor performance on several recent public projects, according to DCAM evaluations, asked why the Authority had not consulted the DCAM information before opening the bids. Mr. Sabino, from the Procurement Department, observed that the information had been included in a more recent, updated document.

Staff also noted that the Authority is specifying a thicker membrane for the roofs, which should result in a longer useful life, estimated at 15 to 20 years.

EMERGENCY PURCHASE ORDER CONTRACT FOR COTTAGE FARM CSO FACILITY OIL SPILL CLEAN –UP:

CLEAN HARBORS, INC.

The Board voted to approve the award of an emergency purchase order contract to provide fuel spill containment and clean-up services at the Cottage Farm CSO Facility to Clean Harbors, Inc. and to authorize the Director of Administration and Finance to execute said purchase order contract in the amount of \$391,621.73.

On February 10, 2010, approximately 2,500 gallons of fuel oil spilled from the Cottage Farm Combined Sewer Overflow Treatment Facility on Memorial Drive in Cambridge. Approximately 570 gallons of this spill migrated into the Charles River. MWRA contact Clean Harbors to immediately respond and commence clean-up efforts. Clean Harbors was on site performing clean-up work from the early morning of February 10, 2010 to February 26, 2010. MWRA staff have conducted a comprehensive review of all the items and associated costs in Clean Harbor's invoice. After completing their review, which included a series of negotiations with Clean Harbors, staff were able to reduce MWRA's cost by more than 20% of the original invoiced amount.

Staff also reported that the MWRA had received an enforcement notice from the Massachusetts Department of Environmental Protection, and that an administrative penalty of \$30,187 would be imposed as a result of the spill. MWRA will recommend that a separate environmental project (SEP) be approved in lieu of a direct payment. The consent order also requires MWRA to submit additional information to DEP relative to unstaffed facilities, revised spill prevention/response plans, and training.

The approval of this emergency purchase order contract represents the final cost of the Cottage Farm fuel oil spill containment and clean-up services.

THE FY10 Current Expense Budget contains \$530,000 under Risk Management's Claims line item, which was based on the last three-year history. With this \$391,621.73 Clean Harbors' invoice, staff estimate that the actual spending under this line item will exceed the budget by approximately \$300,000 for FY10.

Board Member Jim Hunt asked if staff have examined having contractors on standby? Mr. Hornbrook responded that that discussion has started. Mr. Hunt questioned the pricing of the contract and observed that the Authority was "at the mercy" of the contractor's pricing. He commended the staff for having been able to reduce the initial price. Mr. Hornbrook noted that staff have been looking at the accounting rates.

Staff also noted that the vents will be redesigned, and there will also be a longer-term contract to replace the fuel tanks.

CONTRACT AMENDMENTS/CHANGE ORDERS

EMERGENCY SEWER REPAIR, SECTION 659A – QUINCY: BARLETTA HEAVY DIVISION, CONTRACT S485,

CHANGE ORDER 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 2 to increase the amount of Contract No.S485 with Barletta Heavy Division, Emergency Sewer Repair, Section 659A- Quincy, in the amount of \$265,000 and to extend the contract term by 20 calendar days to May 10, 2010.

On April 7, 2010, MWRA was informed by the City of Quincy that two sinkholes were forming on Chickatabot Road near the intersection with Sea Street in Quincy. The sinkholes were found to be located directly above MWRA's Section 659A Squantum Force Main. Excavation at the site indicated a hole in at least one pipe segment of MWRA's force main that cannot be shut down for more than one to two hours. Since the force main could not be taken out of service to repair, a difficult and complex temporary by-pass pumping system, with extremely limited time to make connections, had to be installed. Staff solicited quotes from six contractors and the Executive Director, under delegated authority, awarded a contract to Barletta Heavy Division, in the amount of \$215,000 as the contractor with the lowest quote.

The change order formalizes approval of emergency sewer repair to Section 659A in Quincy that had previously been authorized on an emergency basis in accordance with emergency provisions of the Management Policies and Procedures of the Board of Directors and with the approval of the Board Chairman. The Authority had secured a waiver from DCAM of the statutory requirement to advertise the repair contract; staff had solicited quotes from six contractors, awarding the work to the lowest bidder.

Staff reported that the project involved a difficult and complex temporary by-pass pumping system, with extremely limited time to make connections. In addition, special precautions and trench support were needed so that the sinkholes did not grow larger and start damaging other utilities, including a gas line and water and sewer service to nearby homes.

Change Order 2 consists of the following item:

Install 375 Feet of Cured-in-Place Liner, Increase Police Allowance and Extend the Contract Tern by 20 Calendar Days	\$265,000
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Although unplanned, the cost of Change Order 2 will be absorbed within the Field Operations Department's FY10 Current Expense Budget.

Board Member Joel Barrera asked for clarification about the emergency procurement authority. Mr. Laskey responded that there is a delegated authority for staff to spend money in an emergency and then the Executive Director has to notify the Chairman and all members of the Board of Directors. The second step is to ask DCAM for an altered procurement process. All contractors are notified and go do a site visit. Bids are asked for within a reasonable time and there is a mini-procurement process.

Mr. Barrera asked if this is what occurred in the Weston water main break. Mr. Laskey responded that staff held a meeting and discussed possibilities. The Governor declared a state of emergency.

Board Member Michael Gove stated that the policies do allow the Executive Director or the Chairman to respond accordingly. Mr. Laskey stated that staff would come back to the Board with a staff summary with more information.

REHABILITATION OF WATER PUMPING STATIONS: BARLETTA ENGINEERING CORP., CONTRACT 6375, CHANGE ORDER 30

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order no 30 to increase the amount of Contract No. 6375 with Barletta Engineering Corp., Rehabilitation of Water Pumping Stations, in the lump sum amount of \$92,786. Further, the Board voted to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6375 in amounts not to exceed the aggregate of \$100,000, in accordance with the Management Policies of the Board of Directors.

Under Contract 6375, five MWRA water pumping stations are being rehabilitated, including: Belmont, Brattle Court, Hyde Park, Reservoir Road and Spring Street, to provide adequate, reliable water supply for the next 30 years. These five pumping stations replenish the volume of water in various MWRA storage tanks that supply water to some MWRA communities.

Change Order 30 consists of the following three items:

Furnish and Install Engraved Metal Plate with Equipment Identification and Data	\$35,325
Perform Electrical Demolition	\$29,111
Increase the Size of the Gas Main between the Meter and the Emergency Generator	\$28,350

The cumulative value of all change orders to this contract will be \$4,083,081.21 or 22.4% of the original contract amount. Work on this contract is approximately 99% complete. The FY10 Capital Improvement Program Budget includes \$22,428,000 for Contract 6375. Including this change order in the amount of \$92,786, the adjusted sub phase total is \$22,240,018.21.

REHABILITATION OF THE SOUTHERN SPINE DISTRIBUTION MAINS PROJECT – PHASE 1: BLACK & VEATCH, INC. CONTRACT 6290, AMENDMENT 5

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 5 to extend the term of Contract No. 6290 with Black & Veatch, Inc., Rehabilitation of the Southern Spine Distribution Mains Project – Phase 1, by 1,065 calendar days to May 30, 2013, with no increase in contract amount, and to transfer available funds within the contract.

The Southern Spine project includes the rehabilitation and/or replacement of three water transmission mains, Section 21, 22 and 43, serving the communities of Boston, Milton and Quincy. The project is needed to modernize an older water distribution system, provide adequate capacity for the above communities and service the new Blue Hills Covered Storage Facility. This contract was awarded in September 2000, for preliminary design, final design and engineering services during construction for the Rehabilitation of the Southern Spine Distribution Mains – Phase I. Black & Veatch has completed design work for four of the five proposed construction contracts. Because the fifth construction project now requires an alternatives analysis and Environmental Impact Report, the design will be separately procured in the future and is no longer part of the scope of this design contract.

Three of the other four construction contracts have reached substantial completion: contracts 6292 and 6885 involving the rehabilitation of a portion of Section 22 in Quincy and contract 6845, Section 107 Phase 1. (The Blue Hills Covered Storage Facility was placed on line in August 2009.)

Contract 7099, Section 107 Phase 2, was awarded in January 2010 and is currently under construction. Contract 7099 is the largest and most complex of the four construction contracts. Because the Section 107 project had been divided into two phases in 2005, the overall project duration was lengthened (although it minimized potential impacts to water service in the Town of Milton and the City of Quincy and reduced the impacts due to the construction of the new Blue Hills Covered Storage Facility).

This Amendment, number 5, includes a 35-month time extension and the transfer of some of the remaining and unused funds in the design phases of the contract to the construction phase. Preliminary and Final Design funds (Phases 1 and 2) totaling \$721,846.30 will be transferred to Phase 3 Engineering Services During Construction/Resident Engineering Services, and the contract term will be extended by 1,065 calendar days (35 months). There is no increase to the overall contract amount. However, the staff summary notes that should the construction contractor's schedule extend beyond 28 months, this design contract will require a corresponding additional time extension and likely additional funds, depending on the length of the extension.

The FY10 CIP includes a budget of \$7,776,000 for Contract 6290. Amendment 5 provides for no increase in the total contract price and will have no budgetary impact.

Mr. Laskey noted that this is a major redundancy project and will help the City of Quincy, which is one of the MWRA's largest customers.

INFORMATION

DELEGATED AUTHORITY REPORT – APRIL 2010

Staff presented a listing of actions taken by the Executive Director under delegated authority for the period April 1 through April 30, 2010.

In response to a question from Mr. Mannering regarding the cost of two purchases of 400,000 gallons of fuel oil for Deer Island during the recent wet weather events, staff noted that the pricing for the two purchases were one to two weeks apart, with the second purchase reflecting slightly higher fuel oil prices. Staff also reported that a third fuel oil purchase was in process, with delivery to start May 13.

FY10 FINANCIAL UPDATE AND SUMMARY AS OF APRIL 2010

Staff provided a financial updated through April 2010, comparing actual spending to the FY10 budget, and preliminary year-end projection based on year-to-date April spending,

Total year-to-date expenses are lower than budget by \$25.1 million or 5.1% and total revenues are greater than budget by \$117,000 for a net variance of \$25.2 million.

The April results reflect some variances solely related to timing such as:

- Underspending of \$2.8 million for deferring the voluntary pension contribution: and
- Underspending of \$2.6 million of direct expenses.

After accounting for the adjustments noted above, the year-to-date net variance would be \$19.8 million. Of this, the largest variances are for the favorable variable rate in Debt Service of \$15.5 million and lower direct expenses of \$4.0 million mostly for maintenance spending, wages and salaries, and chemicals.

Staff now projects the year-end surplus to be approximately \$23.6 million, \$1.5 million more than presented in the March staff summary. If market conditions remain unchanged for the remainder of the fiscal year, Debt Service expense is projected to be \$21.9 million below budget and direct expenses are projected to be \$4.0 million under budget.

Direct expenses totaled \$164.1 million, \$6.6 million or 3.9% less than budget. After taking into consideration the estimated \$2.6 million in underspending related to timing for direct expenses, the year-to-date variable is 2.3% below budget, which demonstrates the Authority's continuing efforts to reduce or contain costs wherever possible. The primary reasons for year-to-date underspending on direct expenses are lower spending for maintenance, wages and salaries, and chemicals offset by overspending on utilities and overtime. Staff estimates that approximately \$2.6 million of 40% of year-to-date underspending are related to timing that will be made up by year-end.

Staff reported that total expenses for the year to date, while \$25.1 million lower than budgeted, do not yet include costs of the water main break. The revised projections for the anticipated year end surplus of \$23.6 million can be expected to be further revised as the costs of the water main break are identified, including any emergency management reimbursements that may be

available (although staff cautioned that there is a general sense that federal reimbursement funds are unlikely). Plans for a defeasance transaction using the year-end surplus will be addressed at the first June meeting of the Board as will an evaluation of the allocation of funds in excess of the \$24 million currently planned for the defeasance transaction that may be available.

Director of Administration and Finance Rachel Madden noted that the current estimated cost of the water main break is \$1.1 million. However the probable cost due to unanticipated costs that may need to be borne later, will be more in the range of \$1.5 to \$2 million.

Board Member Vincent Mannering asked about the warranties on the water main. MWRA Chief Operating Officer Michael Hornbrook responded that typically there are no extended warranties on the couplings.

Board Member Jim Hunt asked if there was a chance for federal reimbursement. Ms. Madden responded that the Authority was unlikely to get federal funding for the water main break. Mr. Laskey added that he was not optimistic about federal reimbursement.

REVENUE BOND ISSUANCE RESULTS

At the February 10, 2010 meeting, the Board approved the 58th Supplemental Bond Resolution, which authorized the issuance of up to \$250 million in General Revenue Refunding Bonds. At the April 14, 2010 meeting, the Board approved an amendment to the 58th Supplemental Bond Resolution, which increased the total authorized amount to \$310 million. Staff reported that on April 27, the Authority completed its bond issuance with \$100 million in new money and \$183.6 million in refunding bonds (\$126.9 million in refunding for savings plus \$75 million in refunding for budgetary savings). The bonds refunded for savings resulted in present value savings of \$6.4 million or 5.01%, significantly higher than the Authority's traditional present value savings threshold of 4%. The all-in true interest rate of 4.14% was the lowest achieved by the Authority.

Staff noted that MWRA continues to be a well-respected credit in the markets with ratings of AA+, Aa1 and AA+ from Standard & Poors, Moody's Investor Service and Fitch Ratings respectively. Both the Moody's and Fitch ratings were recently increased by one notch to Aa1 from Aa2 and AA+ from AA, as a result of both firms' global ratings recalibration initiatives. As a result, MWRA is now rated only one step below the highest credit rating of AAA by all three rating agencies.

Mr. Mannering asked about the rationale for the issuance of a "negative outlook" by Moody's. Staff noted that despite having made a strong case, Moody's questioned the Authority's proposed variable rate interest rate assumption of 3.25% and the proposed rate revenue requirement for FY11 of 1.49%, arguing that these assumptions would "challenge" the Authority "to maintain superior financial flexibility," putting the Authority at risk in the future and raising questions about the Authority's willingness to raise rates in order to pay its debt obligations. Staff emphasized their intent to follow up with the rating agency and to address these concerns "aggressively".

OTHER BUSINESS

EXECUTIVE DIRECTOR'S PERFORMANCE REVIEW AND CONTRACT EXTENSION

Postponed until June.

EXTENSION OF CONTRACT FOR CHIEF OPERATING OFFICER

Postponed until June.

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.