



MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, June 29, 2011

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on June 29, 2011 at the Charlestown Navy Yard. **Present:** Chair Rick Sullivan, Michael Gove and Joel Barrera, 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

Chairman Rick Sullivan acknowledged MWRA staff for a great turnout at the CSO event in South Boston.

Report of the Executive Director

Executive Director Fred Laskey also thanked all those that attended the CSO opening in South Boston as well. Mr. Laskey mentioned that although the CSO was a milestone for the Authority, there are also other components that impact water quality, such as dogs and birds.

Mr. Laskey discussed the Charlestown Turbine is expected to arrive toward the end of this summer.

Mr. Laskey also informed the Board that the MWRA and the Advisory Board have had meetings with the Water Infrastructure Finance Commission (WIFC) over the last few weeks. The Authority along with the Advisory Board has been asked to review and make recommendations on a report WIFC expected to publish this fall called *Financial Sustainability*. The MWRA and Advisory Board are in the process of providing them with some good feedback.

APPROVALS

Final FY12 Current Expense Budget

The Board voted to (1) adopt the FY12 Final Current Expense Budget (CEB) as set forth in Attachments A and B with current revenue and expenses of \$618.2 million; and (2) adopt the FY12 Final Operating Budget (Trustee's Budget) set forth in Attachment D.

The FY12 Proposed CEB had a 3.9% combined rate increase consistent with the three-year commitment made during the development of the FY11 Budget.

The FY12 Draft Final CEB presented to the Board at the June 8th Budget Hearing held essentially the same rate increase, with updated information and inclusion of \$350,000 in Debt Service Assistance.

Subsequently, based on Board discussions and the Advisory Board's *Comments and Recommendations*, staff made additional changes to the FY12 Draft Final CEB which results in a rate increase of 3.49% for the FY12 Final CEB, in line with the Advisory Board's recommendation.

Major changes since the June 8th hearing:

- Increase of short-term rate assumption for investment income from 0.3% to 0.5% resulting in \$927,000 additional income;
- Reduction of Current Revenue for Capital of \$1 million; and
- Redirection of \$1.9 million Other Post Employment Benefit funding to the Pension Fund

Final FY12 Capital Improvement Program

The Board voted to approve the FY12 Capital Improvement Program (CIP), with a budget of \$173.9 million for Fiscal Year 2012 and five-year (FY09-13) spending of \$956.9 million.

The FY12 Final Capital Improvement Program represents an update to the FY12 Proposed program presented to the Board in December 2010.

The FY12 Final Capital Spending Cap for the FY09-13 period is \$954.7 million, a decrease of \$189.1 million or 16.5% from the Base-Line Cap approved in June 2008 and complies with both the annual and 5-year Cap requirements.

On June 8th, the Board of Directors held a hearing on the Capital Improvement Program. Discussion and materials provided at the hearing highlighted the changes from the FY12 Proposed CIP, which include a decrease of \$11.2 million, pertaining mainly to the lower contract awards for projects such as the Carroll Water Treatment Plant Ultraviolet Disinfection Construction, Reserved Channel Construction, and Northern Intermediate High Section 89/29 Redundancy Design.

Final FY12 Water and Sewer Assessments

The Board voted to adopt the following effective July 1, 2011: (1) Water system assessments of \$183,885,531 and sewer system assessments of \$405,814,469 for Fiscal Year 2012; (2) FY12 sewer assessments of \$500,000 for the Town of Clinton and \$203,735 for the Lancaster Sewer District; (3) FY12 charge to the City of Worcester of \$131,609, which represents approximately 7.9% of the direct operating expenses for the Clinton Wastewater Treatment Plant; (4) FY12 water assessments of \$2,709,899 for the City of Chicopee, \$587,111 for South Hadley Fire District #1, and \$570,731 for the Town of Wilbraham; (5) a wholesale water rate of \$2,760.96 per million gallons; and (6) a retail sewer rate of \$6,033.18 per million gallons.

There was discussion amongst Board members on how the water and sewer assessments were calculated. Director of Administration and Finance, Rachel Madden explained that the assessment was based on data from the 2000 U.S. Census updated in 2009. She explained that there was an agreement made with the Advisory Board on using these figures which was consistent with past Authority policy.

Board Member, Joel Barrera agreed it was the right decision since there was not a way of determining what the current census numbers would be. Ms. Madden explained that as the year progresses, an analysis could be made for future years.

Board Member, Vincent Mannering rhetorically asked why Clinton was not paying an assessment? How was this possible?

AB Executive Director, Joseph Favaloro explained that there have been attempts to right this wrong statutorily. The language provides Clinton subsidies on the water side (free untreated water) and on the wastewater dies for the operation of the treatment plant all but 500,000 (which the Commonwealth pays). There continues to be an effort to press for solutions and the AB has included this in their recommendations which have also been accepted by the Board. As in the case in MWRA wastewater communities, the recommendations would include the creation and enforcement of phosphorus levels, the monitoring of high strength users and permit fees.

Memorandum of Understanding with the Department of Public Safety for Electrical Inspections, Amendment 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute Amendment 2 to the Memorandum of Understanding with the Department of Public Safety (DPS), to provide electrical inspection services for Authority projects and operations in an amount not to exceed \$50,000.00 for a term of twenty-four months from July 1, 2011 through June 30, 2013.

Pursuant to the Authority's enabling legislation, the Department of Public Safety ("DPS") had "exclusive jurisdiction and responsibility with respect to projects and operations of the Authority for inspection, approvals, enforcement, permitting and licensure" authorized or required by the state building code.

Through long-standing agreements between DPS and MWRA, DPS has provided electrical permits and has performed electrical inspections for MWRA construction projects as part of DPS's issuance of building permits and Certificates of Occupancy. This arrangement started with the Boston Harbor project and since March 2000 has expanded to other MWRA construction projects and in-house electrical work. The electrical inspections were historically performed by DPS staff.

CONTRACT AWARDS

Section 156 Rehabilitation-North Metropolitan Sewer: Barletta Heavy Division, Inc., Contract 7393

The Board voted to approve the award of Contract No. 7393, Section 156 Rehabilitation-North Metropolitan Sewer, 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 \$2,493,607.00 for a term of 360 calendar days from the Notice to Proceed.

Contract 7393 includes rehabilitation of sewer Section 156 and a portion of adjacent Sections 19 and 17, and associated structures/manholes located between Air Force Road and the Malden River in the City of Everett. The sewer is a 120-year-old, 61-inch by 56-inch rounded horseshoe brick sewer, which conveys flows of up to 40 million gallons per day from Wakefield, Stoneham, Woburn, Winchester, and a part of Medford.

Berkeley Green II, LLC is moving forward with a real estate development project called the River Green Technology Park, a 500,000-square-foot project that will straddle both sides of the easement for Section 156 in Everett.

Dam Repairs-Sudbury, Wachusett Open Channel Lower, Chestnut Hill, Weston and Foss Reservoir Dams: T. Ford Company, Inc., Contract 7194

The Board voted to approve the award of Contract No. 7194, Dam Repairs-Sudbury, Wachusett Open Channel Lower, Chestnut Hill, Weston and Foss Reservoir Dams, to the lowest eligible and responsible bidder, T Ford Company, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$3,443,440.00 for a term of 730 calendar days from the Notice to Proceed.

CONTRACT AMENDMENTS/CHANGE ORDERS

Hultman Aqueduct Interconnections: Barletta Heavy Division, Inc., Contract 6975, Change Order 16

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 16 to Contract No. 6975, Hultman Aqueduct Interconnections, with Barletta

Heavy Division, Inc., for a not-to-exceed amount of \$1,772,345.00, increasing the contract amount from \$49,591,809 to \$51,364,154, with no increase in contract term.

Further, to authorize the Executive Director to approve additional change order as may be needed to Contract 6975 in an amount not to exceed the aggregate of \$250,000.00.

The ongoing Hultman Aqueduct rehabilitation contract is divided into two phases-the middle section of the Hultman, which extends 10.8 miles from Shaft 4 of the Southborough Tunnel to the Norumbega open reservoir in Weston, and the lower section of the Hultman, which extends 2.6 miles from the Norumbega Covered Storage Facility to Shaft 5/5A in Weston. The upper section of the Hultman, which begins at the John J. Carroll Water Treatment Plant in Marlborough and extends 1.8 miles to Shaft 1 of the Southborough Tunnel in Southborough, will be rehabilitated under a separate future contract.

Southern Spine Distribution Mains Section 107-Phase 2: RJV Construction Corporation, Inc., Contract 7099, Change Order 9 (ref. W C.2)

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 9 to Contract No. 7099, Southern Spine Distribution Mains Section 107-Phase 2, with RJV Construction Corporation, Inc., for an amount not to exceed \$163,976.21, increasing the contract amount from \$14,774,612.42 to \$14,938,588.63, with no increase in contract term.

The Board authorized the Executive Director to approve additional change orders as may be needed to Contract No. 7099 in an amount not to exceed the aggregate of \$250,000.00.

The Southern Spine Distribution Mains Project involves the rehabilitation and/or replacement of three water transmission mains, Sections 21, 22 and 43, serving the communities of Boston, Milton, and Quincy. Contract 7099, will replace Sections 21 and 43, which are 24-inch, cast-iron water mains that have been in service since 1897 and 1915, respectively. Replacement of these water mains will increase reliability of flow to the Blue Hills Covered Storage facility and the locally served communities.

INFORMATION

FY11 Financial Update and Summary as of May 2011

On June 16th, 2011 the MWRA executed a \$32.5 million defeasance targeted for fiscal years FY14 and FY15, which was authorized at the June 8th, 2011 Board meeting.

Director of Administration and Finance Rachel Madden explained that as of the end of May, expenses are lower than budgeted by \$27.5 million or 5.0% and total revenues are higher than budget by \$521,000 for a net variance of \$28.0 million.

The May results reflect lower Debt Service Expenses of \$189 million due to lower variable rate debt expense, primarily related to lower interest rates and the deferral of State Revolving Fund

(SRF) borrowing to the next fiscal year. Direct Expenses are under budget by \$7.0 million, driven by lower wages and salaries and maintenance.

The primary reasons for underspending on direct expenses are lower spending for wages and salaries, maintenance, chemicals, utilities, other services, fringe benefits, and professional services. The underspending is offset by higher than budgeted spending for overtime and workers' compensation.

Update on Lead and Copper Rule Sampling Schedule

MWRA communities have been collecting samples every six months continuously since June 1997, with only two exceptions in 1998 and 2003, and with baseline data from 1992. Overall, the 30 communities in the consecutive system monitoring pool collect at least 450 tap samples each round and up to an additional 112 school samples. Continued collection of twice-annual sample rounds represents a significant burden on the volunteer homeowners who take the samples, as well as on the community sampling coordinators who arrange for the volunteers, drop off sample bottles, and then return to collect the sample bottles and bring them to the MWRA laboratories.

At the request of Board members and staff of community water departments, MWRA staff initiated discussions with the Department of Environmental Protection (DEP) in 2009 to reduce the frequency of required tap water monitoring under the Lead and Copper Rule (LCR) from every six months to once per year as permitted in the LCR. The request to reduce monitoring was not unusual. Nationally, EPA statistics indicate that approximately 91 percent of water systems are on reduced monitoring (either once per year, once every three years, or once every 9 years) and DEP Northeast Region staff estimate that over 75 percent of systems in that region are on reduced monitoring.

Director of Planning, Stephen Estes-Smargiassi explained that the informational staff summary on lead and copper was done in 1992 and tests have been conducted twice a year since 1997. The EPA regulation on copper is very specific. Staff has been discussing the conditions of the regulation with DEP and there has been some talk of having it done twice a year. Staff has not discussed whether the communities are responsible for this. Board member, John Carroll asked who is holding up this process? Mr. Estes-Smargiassi stated that it will be brought up at the next meeting to get a sense of whether or not it can be done. Mr. Laskey explained that staff is trying to assess whether the reduction in the test would give the perception that the water is not clean. Mr. Estes-Smargiassi stated that staff is arguing in Washington to change the rule but for now we have to abide by the rule. If you excluded the 30 communities in this area, it would be over 100%. Staff would sample 750 homes per year if approved. The principal beneficiaries would be homeowners that would meet the criteria, as well as finding new customers.

Progress of City of Cambridge-Implemented CSO Projects and Projected Financial Assistance through September 2011

Under the Memorandum of Understanding (MOU) and Financial Assistance Agreement (FAA) between MWRA and the City of Cambridge for the Implementation of CSO Control Projects,

Cambridge is responsible for implementing 5 of the 35 projects in MWRA's long-term CSO control plan, including four of the six projects that comprise the long-term CSO control plan for Alewife Brook and a project that provided floatables control to its CSO outfalls on the Charles River. The MOU provides a framework for Cambridge and MWRA to cooperatively manage implementation of these projects. The FAA is the funding mechanism by which MWRA funds are made available to Cambridge to pay eligible design and construction costs. The MOU and FAA were originally executed in 1996. Amendment 8 to the MOU and FAA, approved by the Board on July 16, 2008, increased the total award amount to the current \$60,021,000.

Chief Operating Officer, Michael Hornbrook explained that this project involves another transfer of funds by the City of Cambridge. The total amount in the budget is \$55 million. There is still a lot of spending to go. Currently, three of the four Alewife Brook CSO projects Cambridge is implementing remain on the schedules proposed in 2009, including two projects Cambridge has completed. Since 2009, the CAM004 Stormwater Outfall and Wetland Basin project (Contract 12) incurred further delay due to difficulties Cambridge had in securing easements on private property. This delay in turn has affected the schedule of the two Alewife Brook CSO projects MWRA will implement, the control gate and floatables control at Outfall MWR003 and MWRA Findge Avenue siphon relief project and the interceptor connection relief and floatables control project at the City of Somerville's Outfall SOM01A. With the issuance of the Notice to Proceed with Contract 12 by Cambridge last month, MWRA has prepared updated project schedules and plans to file a motion with the Court to amend the Schedule Seven milestones accordingly. The new schedules and proposed milestones continue to call for completion of all work associated with the Alewife Brook CSO control plan by December 2015.