

**MWRA Board of Directors Meeting
July 18, 2012
Voting Summary Sheet**

Item Name	Type	Notes	Vote	Discussion Highlights	Attachments
Approval of Minutes	n/a	n/a	Unanimous		
Report of the Chair	n/a	n/a	n/a	*	
Report of the Executive Director	n/a	n/a	n/a	*	
Approval of Competitive Purchases of Bonds	Approval	Authorized termination of two Standby Bond Purchase Agreements with Bank of America Approved recommendation to award Competitive Purchases of the \$183,430.00 to Wells Fargo Bank, N.A., RBC Capital Markets, Inc. and Citibank, N.A.	Unanimous	*	
FY13 Non-Union Compensation	Approval	Authorized Executive Director to implement across-the-board compensation adjustments for non-union managers of 1.5% effective July 1, 2012 and 1.5% effective January 1, 2013	Unanimous		
FY13 Non-Union Salary Collision Adjustments	Approval	Authorized Executive Director to implement a salary adjustment of \$1,978.00 for Western Maintenance Manager and \$1,860.00 for Deputy Director of Human Resources	Unanimous	*	
Expansion Joint Repair Construction 2-Deer Island Treatment Plant: Chapman Waterproofing Company, Contract 6704	Contract Award	Approved Contract 6704, Expansion Joint Repair Construction 2-Deer Island Treatment Plant Amount of \$1,927,500.00 Term of 548 calendar days	Unanimous		
Caruso Pump Station Improvements: Dewberry Engineers, Inc., Contract 7037	Contract Award	Approved the recommendation of the Consultant Selection Committee to select Dewberry Engineers Inc. for the Caruso Pump Station Improvements project Amount not to exceed \$773,396.00 Term of 1308 calendar days	Unanimous	*	
Wachusett Aqueduct Emergency Interconnection Valves: Barletta Heavy Division, Inc., Contract 7085C	Contract Award	Approved the award of Contract No. 7085C, Wachusett Aqueduct Emergency Interconnection Valves Amount of \$1,091,000.00 Term of 365 calendar days	Unanimous	*	
Delegated Authority Report-June 2012	Information	Repairs made and covered by the insurance company for the Charlestown Wind Turbine. Expected to be up and running by first week of August.	Unanimous	*	

Administration and Finance
 Wastewater
 Water
 Personnel
 * Link to Advisory Board position



MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, July 18, 2012

- *Please note that this serves to highlight active discussion on agenda items at the Board of Directors meeting.*
- *Language directly from the staff summary is highlighted in grey, while the discussion remains in plain text*
- *Please see the attached summary sheet for a complete list of Board actions.*

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on July 18, 2012 at the Charlestown Navy Yard. **Present:** Chair Rick Sullivan, Joel Barrera and Michael Gove, Gubernatorial Appointees; John Carroll 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; Andrew Pappastergion, Advisory Board Representative; and Marie Turner, Town of Winthrop Representative.

Report of the Chair

No Report.

Report of the Executive Director

Mr. Laskey reported that National Association of Clean Water Agencies (NACWA) honored the Deer Island Treatment Plant for five years of operating without permit violations. The award was received in Philadelphia. Mr. Laskey expressed his enjoyment for his job and especially this achievement. There are many complexities operating the plant, from difficult storms and maintenance to manage, etc. Mr. Laskey thanked the staff for their work.

Mr. Laskey explained that there are currently three algae treatments at Wachusett because there have been ongoing outbreaks; there have been a lot of people working on that. He also stated that the MWRA is participating in the ISO New England demand-response event. There is also lots of discussion in the press about the London Inter-Bank Offered Rate (LIBOR) and how it will impact the MWRA.

Mr. Laskey invited Director of Administration and Finance Rachel Madden, MWRA Financial Advisor June Maddie and Treasurer Tom Durkin to speak.

Ms. Madden explained that there was a familiar theme being discussed about dislocations in the market place, particularly related to Barclays that there were allocations raised. Barclays was allegedly manipulating LIBOR rate, the interest rates are submitted up to 16 banks; both the highest and the lowest are ruled out, and the final rate is calculated right in the middle. The allegations were that banks either lowered or raised on the

rates artificially because they wanted to make themselves look much more financially safe during the financial crisis. LIBOR affected the MWRA through three swaps in total that are LIBOR-based. The counter-party (Goldman Sachs and Barclay's) paid the Authority a variable rate based on the LIBOR index.

It is difficult to calculate the actual impact on the MWRA, there is no specific basis point spread disclosed in anything staff has read. If Barclays did it on one day, it would have a small impact; if it was done over time, there would be larger impact. The Board packet has information on SIFMA swaps, which will not be impacted.

The only one swap the MWRA has that existed during the timeframe of the allegations of 2007-2009 is the Goldman Sachs swap. It has decreased during that period of time and even more since then, LIBOR exposure is consistently decreasing.

The final comment the MWRA staff tried to provide was some financial analysis. The calculation that can be found on the handout that was passed out during the Board meeting assumes that LIBOR had been manipulated every day for one year. Mr. Laskey stated that we may never know the answer to this question. There is no base rate to compare it too. Ms. Madden stated that staff wants the Board to know that these swaps have been working as intended. Anytime there are allegations about manipulation, staff wants to make sure the Board has an opportunity to ask questions and get background information.

Ms. Maddie explained that this is just the tip of the iceberg. The investigations have started in Europe and the United States. Staff will learn more about it and there will likely be class action lawsuits for people to join. She was not encouraging anyone to launch their own lawsuits but noting that any outcomes or result would take a while.

Ms. Madden explained that most of the discussions about lawsuits being brought forward have had discussions with the Attorney General's Office. This is more of a penalty-based issue and it would be very difficult to figure out what the restitution would be. The MWRA is part of a very wide pool of affected individuals.

Board member Joel Barerra asked if there would be action through the state and if that would be how the MWRA would pursue this? Ms. Madden explained that staff had talked to the Attorney General's office and staff did not provide them with any information about the MWRA's exposure; or analysis because staff wanted to come to the Board first. The Attorney General's Office acknowledged the complexity of the situation and recognized that no one could list a specific financial impact.

General Counsel Steven Remsberg stated that the Assistant Attorney General had asked staff if there was a penalty assessed and if some of that penalty would come our way. Mr. Laskey stated that the Authority would also have the option to join a class action lawsuit if needed. Mr. Laskey explained that this was not going to change the Authority's bond rating, it would only be a small impact of the portfolio.

Ms. Madden explained that the focus is the relationship and how it would impact the MWRA. Contracts all over the world are impacted by this.

Board member John Carroll asked who did Barclays' fine go to? Mr. Durkin explained that it went to the country of Great Britain because there was jurisdiction in that location. If the United States conducts prosecution, this would be a federal fine. If Massachusetts or New York pursued this, those states would get fined and so forth.

Board member Vincent Mannering asked if a party to a contract conducts illegal activity with regard to the contract, does that make the contract voidable? Mr. Remsberg stated that could potentially happen. Mr.

Mannerling thought it would be a good idea for staff to look into it. Ms. Maddie stated that the contract is with Goldman Sachs; if it's voidable, maybe staff could look into that.

Board member James Hunt stated that if the Board is going to continue with the discussion on this line, it should continue during executive session.

Approvals

Approval of Competitive Purchase of Bonds

The Board voted to authorize the termination of the two Standby Bond Purchase Agreements with Bank of America, N.A. on 2008 Series B and 2008 Series C-1; to approve the recommendation of the Selection Committee to award Competitive Purchases of the \$183,430,000 in 2008 Series B and Series C-1 bonds to Wells Fargo Bank, N.A., RBC Capital Markets, Inc. and Citibank, N.A.; and to adopt the Sixty-Fourth Supplemental Resolution authorizing the issuance of up to \$183,430,000 of Massachusetts Water Resources Authority Multimodal Subordinated General Revenue Refunding Bonds and the supporting Issuance Resolution.

Board member Michael Gove asked if there was any concern with having 24% of what is outstanding with JP Morgan. Ms. Madden explained that there is always concern with that, staff will continue to try to diversify its portfolio; this came out of necessity. Staff has a good working relationship with JP Morgan; however, if anything ever happened to JP Morgan like with Bank of America, staff would come back to the Board to diversify the portfolio again. Ms. Madden stated that other agencies have taken this approach, it's not out of the norm. It's a good opportunity and also allows the Authority to diversify its portfolio with the bank and by types of transactions as well; it allows staff to "set it and forget it" for a portion. Ms. Maddie explained that one of the major benefits of this approach is structure being put forth because of changes in the banking regulations, basic major benefit means that terms will go out longer with traditional liquidity facility, no ability for the investors to "put" this back to us; in this case because it's a direct placement with the bank there is no middle man investor, there is only a single party involved. Staff believes that because of this, the Authority is not that sensitive to the underlying rating of the bank; it takes some risk off the table; all in all, it's a plus. The rating agencies will view this as positive.

FY13 Non-Union Compensation

The Board voted to take the following actions in MWRA's FY13 Non-Union Compensation Program: (1) Authorize the Executive Director to implement across-the-board compensation adjustments for non-union managers of 1.5% effective July 1, 2012 and 1.5% effective January 1, 2013; and (2) Approve a revision to the non-union salary ranges for FY13 as presented in Attachment A and field with the records of the meeting.

FY13 Non-Union Salary Collision Adjustments

The Board voted to take the following actions in MWRA's FY13 Non-Union Compensation Program to alleviate salary collision issues, effective July 1, 2012: (1) Authorize the Executive Director to implement a salary adjustment of \$1,978.00 for the position of Manager, Western Maintenance; and (2) Authorize the Executive Director to implement a salary adjustment of \$1,860.00 for the position of Deputy Director, Human Resources.

Mr. Hunt asked if this takes care of all collision increases. Mr. Laskey stated that it does not but the other one would require an increase of \$20K. These are two that are reasonable to do.

Ms. Madden stated that we have many others that are close, but only this one remaining where a manger makes less than someone he or she manages. This item will come to the Board in September and there will also be some discussion about positions within unions.

Contract Awards

Expansion Joint Repair Construction 2 – Deer Island Treatment Plant: Chapman Waterproofing Company, Contract 6704

The Board voted to approve the award of Contract No. 6704, Expansion Joint Repair Construction 2-Deer Island Treatment Plant, to the lowest eligible and responsible bidder, Chapman Waterproofing Company, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$1,927,500.00 for a term of 548 calendar days from the Notice to Proceed.

Caruso Pump Station Improvements: Dewberry Engineers, Inc., Contract 7037

The Board voted to approve the recommendation of the Consultant Selection Committee to select Dewberry Engineers, Inc. to provide design, construction administration and resident engineering services for the Caruso Pump Station Improvements project and to authorize the Executive Director, on behalf of the Authority, to execute a Contract 7037 with Dewberry Engineers, Inc. in an amount not to exceed \$773,396.00 for a term of 1,308 calendar days from the Notice to Proceed.

Project manager Patrick Smith worked on the design of the upgrade. Mr. Smith explained that several systems have reached their design life and liability with the generator. The pump station receives flow from the Revere and Chelsea sewers. This project will replace the generator system and the fire suppression system.

Wachusett Aqueduct Emergency Interconnection Valves: Barletta Heavy Division, Inc., Contract 7085C

The Board voted to approve the award of Contract No. 7085C, Wachusett Aqueduct Emergency Interconnection Valves, 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 \$1,091,000.00 for a term of 365 calendar days from the Notice to Proceed.

Design Manager Paul Rullo stated that the current goal of the redundancy program is to get these last projects completed. Mr. Rullo explained that as far as the Wachusett Interconnections go, there are two water sources coming into the plant, which are the Cosgrove Tunnel and Wachusett Aqueduct; this would take raw water out of that system and divert if there was a problem with the Carroll Water Treatment Plant or Cosgrove system. The goal is to reduce time in an emergency response; currently there are two caps in the chamber and, it would take two days; this project would allow the water back into the system in a quicker time.

Information

Delegated Authority

Board member Jack Walsh asked about the status of the wind turbine. Mr. Laskey explained that the work is continuing, the new piling has been installed, new steel supports and ribar has been installed. It is estimated that by July 25th, the new foundation should be poured. It should take a week to cure and then by the first week of August, the turbine should be running again. The financial arrangement was negotiated with the contractor and the insurance company. Every step along the way, the payment is made by the insurance company.

Mr. Remsberg explained that the Authority is not paying for any of the warranty work. The Authority is giving the contractor money from the original contract only as they get the warranty work completed as the incentive for them to complete the warranty work quickly.

Ms. Madden stated this change order has nothing to do with the repairs due to the warranty issue. Mr. Laskey stated that the MWRA has been on Fox News twice for this subject matter. He stated that today's segment had focused on the wind turbine in Shirley; staff worked hard to make sure the news station knew that there was frustration that the turbine was not running but the ratepayers were being protected.