

MWRA Board of Directors Meeting

January 16, 2013

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 the Sixty-Fifth Supplemental Resolution	Approval	Authorized the issuance of up to \$300,000,000 of MWRA General Refunding Bonds & the supporting Issuance Resolution.		*	
Authorization to Surplus Waban Hill Reservoir, Newton	Approval	Board voted to declare as surplus to MWRA's water system construction, maintenance or operation needs and purposes an approximately 5.09 acre parcel known as the Waban Hill Reservoir located in the City of Newton, and to dispose of it by notifying the Commissioner of the Division of Capital Asset Management.		*	
Local Water System Assistance Program-Approval of Water Loan Program Guidelines Revision for the Town of Reading Due to Water Quality Concerns	Approval	Approved a one-time exemption to the Program Guidelines for the Local Water System Assistance Program to waive the annual allocation restriction for the Town of Reading to allow the Town to borrow up to its entire \$4,012,000 remaining water loan allocation.		*	*
PCR Amendments-January 2013	Approval	Approved an amendment to the Position Control Register as presented and filed with the records of the meeting.		*	
Miscellaneous Fencing and Guard Rail: STEELCO Chain Link Fence Co., Contract 6760T, Change Order 2	Contract Amendments/ Change Order	Approved Change Order No. 2 to increase the amount of Contract No. 6760T with STEELCO Chain Link Fence Erecting Co., Inc., Misc. Fencing & Guard Rail Amount not to exceed \$51,760 No increase in contract term		*	
Hultman Aqueduct Interconnections: Barletta Heavy Division, Inc., Contract 6975, Change Order 26	Contract Amendments/ Change Order	Approved Change Order No. 26 to increase the amount of Contract No. 6975 with Barletta Heavy Division, Inc., Hultman Aqueduct Inter-connections Lump sum amount of \$153,551 No increase in contract term			
Southern Extra High Redundancy Plan: SEA Consultants, Inc., Contract 6452, Amendment 6	Contract Amendments/ Change Orders	Approved Amendment No. 6 to extend term of Contract No. 6452 with SEA Consultants, Inc., Southern Extra High Redundancy Plan By 12 months to February 28, 2014 No increase in contract amount Approved change in the name of the Consultant for Contract 6452 from SEA Consultants, Inc., to Kleinfelder Northeast, Inc.			
Delegated Authority Report-December 2012	Information	There was a discussion regarding the replacement of electric burden carriers at Deer Island. Staff has been replacing them at a rate of 10 per year due to age or condition of equipment. There was also mention of an analytical testing requirement by the MWRA. MWRA tests regional water, results are sent to EPA and this will determine if any corrections need to be made in order to help fully communities.		*	

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FY13 Financial Update and Summary as of December 2012	Information	Senate President Murray has recently mentioned that she is putting water and sewer infrastructure on her agenda this session. There was discussion amongst the Board about the MWRA getting in the mix of conversations with the State with regard to water and wastewater infrastructure funding.		*	
PowerPoint Presentation on MWRA's Planning Estimates Assumptions	Information	Staff gave a power point presentation on evolving approaches to preparing the Authority's planning estimates for future wholesale water and sewer rates over a ten-year period. Staff updates these projections twice a year.		*	
Report on 2012 Water Use Trends	Information	Staff gave a presentation on the 2012 Water Use Trends. It was noted that population is up, business is up but demand is still the same. There is a continuous use of the efficient use of water.		*	*

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



MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, January 16, 2013

- *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.*
- *PowerPoint presentations made to the Board of Directors have been included in the December Discussion Highlights*

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on January 16, 2013 at the Charlestown Navy Yard. **Present:** Chair Rick Sullivan and Joel Barrera, Gubernatorial Appointees; Joseph Foti, Advisory Board Representative; Henry Vitale and Brian Swett, City of Boston Representatives; Jack Walsh, City of Quincy Representative; Paul Flanagan, Town of Winthrop Representative. **Absent:** Michael Gove, Gubernatorial Appointee; Kevin Cotter, City of Boston Representative; John Carroll, and Andrew Pappastergion, Advisory Board Representatives.

Report of the Chair

Chairman Rick Sullivan welcomed and wished everyone a Happy New Year. Chairman Sullivan also introduced Henry Vitale, Chief Financial Officer and Acting Executive Director of the Boston Water and Sewer Commission (BWSC). Mr. Vitale was sworn in the day before the Board meeting by Governor Patrick.

Report of the Executive Director

Executive Director Fred Laskey introduced Vincent Mannering who has officially retired and stepped down as a member of MWRA Board of Directors. There was a presentation made by Director of Administration and Finance Rachel Madden honoring Mr. Mannering by giving a top ten list of achievements that he helped accomplish within A&F over his time with the MWRA Board.

MWRA Advisory Board Executive Director Joseph Favaloro also said a few words in Mr. Mannering's honor. Mr. Favaloro stated that over the last 18 years, Mr. Mannering has been a tireless advocate, not only for the ratepayers of Boston but for all ratepayers in the MWRA district. Mr. Favaloro stated that Mr. Mannering has always demanded strong fiscal management and accountability; and let us not forget, Mr. Mannering also led the battle with EPA to avoid building an unnecessary water filtration plant. Thanks to Mr. Mannering, the MWRA avoided spending over \$200 million and still has the best drinking water in the country. For these reason and many more, the Advisory Board thanks Mr. Mannering for his dedicated years of service.

Mr. Laskey also stated that Mr. Mannering has gained respect at the MWRA because he always pushed staff and asked the hard questions; so much has been accomplished by Mr. Mannering through his time managing the BWSC and as a public servant. Mr. Laskey stated that when you look at the broad picture, the harbor was a national embarrassment and now it is one of the most successful environmental cleanups in the nation. Mr. Laskey attributed Mr. Mannering's tenure at the MWRA as being a part of reaching this success and presented him with a plaque listing all the important projects he was a part of.

Mr. Mannering stated that he would love to take credit for all of the achievements that were mentioned but he explained that he played a small part in the MWRA's success. It is the people of the MWRA and BWSC that are dedicated to their work that make it possible. Mr. Mannering stated that there have been a lot of people involved in achieving so many of the MWRA's accomplishments and it makes the MWRA one of the finest agencies in the world, not just the country.

Mr. Laskey continued with a discussion on Holbrook and Randolph. Mr. Laskey explained that the discussion with these towns is still ongoing and staff will continue to update the Board as it moves forward.

Mr. Laskey mentioned retiree health care and that there is going to be a final draft that will help manage rates going forward and could help cut Other Post Employment Benefits (OPEB) by 25-30% conservatively.

There is a contract being put in place for janitorial services at Deer Island. The process has brought in two new companies that are both from the Service Employees International Union (SEIU) and these companies will work out well.

There has also been a push nationally to receive the Consumer Confidence Report electronically. EPA has stated that it will allow the report to be sent out electronically; however, the MWRA must still send a postcard to notify consumers that the report is available in electronic format. It will cost the MWRA \$100K to send it out via postcard/electronically or \$125K to print and mail it. Staff believes the paper version should be sent; which was discussed by the Executive Committee of the Advisory Board. The sense of the Executive Committee was that this mailing is a good opportunity for the MWRA to have contact with its customers.

Approvals

Approval of the Sixty-Fifth Supplemental Resolution

The Board voted to adopt the Sixty-fifth Supplemental Resolution authorizing the issuance of up to \$300,000,000 of Massachusetts Water Resources Authority General Refunding Bonds and the supporting Issuance Resolution.

Treasurer Tom Durkin stated that staff monitors the MWRA debt portfolio. Currently, the municipal bond market is experiencing very low interest rate levels for fixed-rate debt. As a result of these low interest rates, there is an opportunity for MWRA to refund approximately \$219.3 million of outstanding fixed and variable-rate bonds for savings. There are a series of bonds that are being considered for refunding, which include 2002 Series D (\$56.5 million), 2005 Series A (\$13.5 million), 2006 Series A (\$66.2 million), 2006 Series B (\$60.9 million), 2007 Series A (\$12 million) and the 2008 Series F (\$10.3 million). These series are the most advantageous for refunding primarily because the bond can be called in a relatively short period of time, thereby providing the most savings.

Staff noted that the proposed transaction is purely a refunding for savings (estimated to yield \$7.4 million in budgetary savings based on current interest rates) and does not proposed to restructure existing debt. Given the low interest rates in the fixed rate municipal bond market, some subordinate debt is included in the transaction and will be fixed out with fixed rate debt, reducing the Authority's variable rate exposure from 19.5% to 18.4% of the total debt portfolio. This reduction will continue to move MWRA closer to the lower end of the 15% to 25% range indicated by the rating agencies as reasonable for an entity with a debt portfolio similar to MWRA. The Authority also consults with its bond counsel, the law firm of McCarter and English, hired through an open selection process.

Authorization to Surplus Waban Hill Reservoir, Newton

The Board voted to declare as surplus to MWRA's water system construction, maintenance or operation needs and purposes an approximately 5.09 acre parcel known as the Waban Hill Reservoir located in the City of Newton, as presented and filed with the records of the meeting, and to dispose of it by notifying the Commissioner of the Division of Capital Asset Management.

Board member Joel Barrera stated that he supports this agenda item. Mr. Laskey stated that the current trend is to have it as an open space. MWRA's policy for Disposition of Real Property requires that, for property acquired through the enabling legislation, prior to declaring a site as surplus, the responsible division must first declare it as surplus, confirm that it is surplus Authority-wide, obtain Board approval of this surplus designation, and finally, dispose of it by notifying the Commissioner of DCAM.

Local Water System Assistance Program-Approval of Water Loan Program Guidelines Revision for the Town of Reading Due to Water Quality Concerns

The Board voted to approve a one-time exemption to the Program Guidelines for the Local Water System Assistance Program to waive the annual allocation restriction for the Town of Reading to allow the Town to borrow up to its entire \$4,012,000 remaining water loan allocation.

Mr. Barrera asked for staff to explain the rationale as to why there is a guideline in place for other communities to access these funds? Mr. Estes-Smargiassi stated that Reading is one of the smaller communities and it is a one-time change for one community in order to address water quality issues. Mr. Hornbrook stated that the Town of Bedford might want to do it as well. Mr. Favaloro stated that a formula was put together many years ago for one reason and one reason only, to create a pot of money for communities to access so they can address their local infrastructure issues. It is rare that any community wants entire allotment at once. Mr. Favaloro stated that Mr. Hornbrook had asked if the Town should go through an Advisory Board process but the short answer is no, because that is what the program is intended to do.

If you are interested in viewing the presentation on the Reading update made at the Board of Directors meeting, please click [here](#).

PCR Amendments-January 2013

The Board voted to approve an amendment to the Position Control Register, as presented and filed with the records of the meeting.

Director of Human Resources Robert Donnelly explained that the position is a title change, location change and grade change. The position fits in well with the candidate's technical background and skill set.

Board member Jack Walsh asked if this position was appropriate if it had to handle security issues. Mr. Donnelly explained that it's a trouble-shooting position with a skill set for electricity and the skill set of this candidate is appropriate to fit and maintain the system.

Authorization to Acquire Land in Weston

The Board voted to authorize the Executive Director, on behalf of the Authority, to acquire for nominal consideration from the Massachusetts Department of Transportation an approximately 39,326 square foot parcel of land in Weston, as presented and filed with the records of the meeting.

Mr. Laskey stated that the MWRA had a conversation with the Massachusetts Department of Transportation (MassDot) to acquire a piece of land at no cost. This would give the MWRA complete control over a critical area.

Deputy Director of Administration and Finance Michele Gillen explained that this would be a fairly cumbersome process for MassDot. Mr. Laskey stated that this is a case that the administrator of the highway commission is sympathetic to getting full control of this land.

Contract Amendments/Change Orders

Miscellaneous Fencing and Guard Rail: STEELCO Chain Link Fence Erecting Co., Inc., Contract 676OT, 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. 676OT with STEELCO Chain Link Fence Erecting Co., Inc., Miscellaneous Fencing and Guard Rail, in an amount not to exceed \$51,760.00 with no increase in contract term; and to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 676OT in amounts not to exceed the aggregate of \$50,000.00, in accordance with the Management Policies of the Board of Directors.

Mr. Walsh stated that this was an awful lot of money to start off with and then another \$50K on the delegated authority. Chief Operating Officer Michael Hornbrook stated that staff is going out for a new contract. Board member Joseph Foti asked if the \$50K was going to hold staff over until the next contract. Mr. Hornbrook stated that it would be enough.

Hultman Aqueduct Interconnections: Barletta Heavy Division, Inc., Contract 6975, Change Order 26

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 26 to increase the amount of Contract No. 6975 with Barletta Heavy Division, Inc., Hultman Aqueduct Inter-connections, in a lump sum amount of \$153,551, with no increase in contract term; and to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6975 in amounts not to exceed the aggregate of \$250,000, in accordance with the Management Policies of the Board of Directors.

Southern Extra High Redundancy Plan: SEA Consultants, Inc., Contract 6452, Amendment 6

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No 6 to extend the term of Contract No. 6452 with SEA Consultants, Inc., Southern Extra High Redundancy Plan, by 12 months to February 28, 2014, with no increase in contract amount. Further, to approve a change in the name of the Consultant for Contract 6452 from SEA Consultants, Inc., to Kleinfelder Northeast, Inc.

Information

Delegated Authority Report-December 2012

There was a question with regard to replacing electric burden carriers at Deer Island. Mr. Hornbrook explained that staff has been replacing the electric burden carriers at a rate of ten per year due to the age or condition of the equipment. There was also a question from the Board about analytical testing and if there was anything the MWRA was required to do? Mr. Hornbrook explained that on the drinking water side, there are unregulated contaminants, the drinking water within the regional system is tested and this will help fully serve communities. Staff samples the water, the results are sent to EPA and this will determine if it needs correcting.

FY13 Financial Update and Summary as of December 2012

Mr. Barrera stated that the Senate President has mentioned that she wants to do water and wastewater infrastructure funding for the Cape through the state revolving fund (SRF). Mr. Barrera stated he was not sure how this would affect the MWRA but if the Senate President wants to move forward with this conversation, then Speaker DeLeo will have to be a part of it as well.

Mr. Laskey stated that the Senate President has said some nice things about the MWRA and staff is in the process of finding out how it can get in the mix of the conversation. Mr. Favaloro stated that staff has advocated for a long time to be on the radar screen and this is the first time in a while that this has happened. We have to carefully determine how to move forward. Mr. Favaloro stated that he, along with Mr. Laskey and Mr. McCluskey has met with Senator Eldridge and Representative Dykema. Mr. Favaloro stated that he hopes that something can materialize from this and staff is now trying to find its place at the table for this discussion. Ms. Madden stated that she and Mr. Durkin have been closely monitoring the SRF to see if the MWRA is able to obtain a piece of the pie.

Mr. Laskey stated that there is pressure on both sides and staff is hoping that it is still in the mix of these discussions.

Mr. Foti asked staff if they expect an upward financial trend before the end of the fiscal year. Ms. Madden stated that the personnel headcount has continued on its downward trend throughout the fiscal year; however some items will go up. In February, staff will come to the Board with the proposed FY14 budget.

Mr. Laskey stated that MWRA workforce is getting older, which creates a wave of retirement. This creates a situation where it takes time before you can fill these posts. The headcount will drop and it is difficult to determine if that will change. Ms. Madden stated that she believed that the MWRA will trend upward.

Mr. Foti asked if staff was seeing less of worker's compensation. Ms. Madden said that there are two different components, which include lower reserves and higher payments out. Budget Director Kathy Soni stated that this year has been so much better than last year. Staff is seeing a significant reduction.

Mr. Foti stated there has been some overspending but not by a large amount, although there are price increases, does the MWRA have contracts? Ms. Madden stated there is a contract but there is re-pricing. This is a unique year that there is significant under-spending. The grants are going out to communities and there is money coming back. It is difficult to budget.

Mr. Walsh asked if the numbers reflect the projects that are listed in the staff summary. Ms. Madden stated that staff highlights the biggest drivers in the staff summary. Ms. Soni explained that there are 150 projects so staff is selective in highlighting the most important ones.

PowerPoint Presentation on MWRA's Planning Estimates Assumptions

Staff gave a power point presentation on evolving approaches to preparing the Authority's planning estimates for future wholesale water and sewer rates over a ten-year period. Traditionally, staff updated these projections twice a year as part of the preparation of the proposed and the final current expense budget for the upcoming fiscal year.

For long-term planning purposes, various assumptions are used for a number of major categories including: direct expense inflation; indirect expense inflation; capital spending levels; variable rate debt; fixed rate debt; investment rates; levels of pension funding; level of OPEB funding; and use of reserves. Assumptions for five of these nine categories were modified (direct expense inflation; capital spending levels; variable rate debt; level of pension fund additions; and use of reserves) as part of an effort to present rate projections that were somewhat less conservative than before. Four other categories were not modified for purposes of the presentation (indirect expense inflation; fixed rate debt; investment rates; and OPEB funding).

Staff will be preparing an updated set of planning projections to accompany the proposed current expense budget for FY14, to be presented to the Board of Directors in February. These projections are expected to reflect updated perspectives on key categories of the planning estimates, including assumptions for costs associated with debt service and pension and healthcare reforms.

Report on 2012 Water Use Trends

There was a presentation made by Steve Estes-Smargiassi and Senior Program Manager Daniel Nvule. Mr. Estes-Smargiassi stated that population is up, business is up but demand is still the same. Mr. Estes-Smargiassi explained that there is still a continuous push on the efficient use of water; it is pretty stable. Staff looks at seasonal demand. Base demand went down but seasonal demand went up. If you look at some of the numbers in 2010 and 2012, they have the same MGD at 17.7 million but percentages are different. When staff talks to its colleagues around the country regarding water use outdoors/seasonal, etc. there is a continual increase. The trend continues to be downward and seasonal changes represent a large fraction.

Mr. Foti asked how staff determines indoor and outdoor use. Mr. Estes-Smargiassi responded that staff takes reports from November to March and calls that the base, which is considered indoor use; staff takes that as a flat number across the whole year. There have been some utilities that have very sophisticated analysis.

Mr. Barrera stated that the City of Chelsea would be a small number of outdoor use but other communities have higher numbers than suburban communities. Mr. Barrera explained that he knew a community like Weston has to pay more for infrastructure and water based on demand.

Mr. Foti stated that he was looking at the chart in the staff summary that listed the monthly/year-to-date water consumption. Other than partial communities, why would Milton see a double-digit reduction of 15% in December? Staff explained that during the previous year Milton had high service meters with lower pressures that restricted their community. There was increased pressure; there was increased consumption. Mr. Hornbrook explained that there was a reduction because last year and the year before it went up. Mr. Hornbrook stated that there has been a consultant hired to take a look at this and the consultant has not rebutted any information that staff sent to them.

If you are interested in viewing the presentation made at the Board of Directors meeting, please click [here](#).