

**MWRA ADVISORY BOARD MEETING
MARCH 18, 1999
STATE HOUSE
ROOM 350, BOSTON, MA**

MINUTES APPROVED AT THE JUNE 17, 1999 MEETING

Twenty members were present: John Sullivan, BOSTON; Michael Nicoloro, CAMBRIDGE; Ernest Williams, CANTON; Andrew DeSantis, CHELSEA; Al Renzi, FRAMINGHAM; Bill Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Ted McIntire, READING; Rod Granese, REVERE; Joe Attubato, SAUGUS; Joe Foti, SOMERVILLE; Walter Woods, WELLESLEY; Jean Thurston, WESTON; Rob Antico, WILMINGTON; J. R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES.

Also present: Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Rep. Robert DeLeo; Rep. Ronald Mariano; Rep. Kay Khan; Rep. Edward Connolly; Rep. Paul Casey; Rep. Mary Jeanette Murray; Rosalie Vincent, Rep. Reinstein's staff; C. M. Sean II, Speaker Finneran's Staff; Cliff Barnes, Senator Jo Ann Sprague's Staff; Thomas Scully, BOSTON WATER AND SEWER COMMISSION; Susan Redlich, WASTEWATER ADVISORY COMMITTEE; Robert Young, BRAINTREE; Inge Uhlir, WESTON; Tom Powers, Mike McBride, Barbara Gottschalk, Stephen Estes-Smargiassi and Kathy Soni, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Ann Chamberlin LaBelle, Craig Sanderson and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME - Representative DeLeo and Representative Mariano

Representative Robert DeLeo welcomed everyone to the State House and acknowledged the presence of several Representatives and staff members.

Rep. De Leo noted that a meeting with the Chairman of Ways and Means is being scheduled to discuss what can be accomplished in this year's budget. He encouraged members to work through their state Representatives and Senators to inform them of issues in their districts.

B. APPROVAL OF THE MINUTES FROM JANUARY 21, 1999

A MOTION WAS MADE TO APPROVE THE MINUTES FROM THE JANUARY 21, 1999 ADVISORY BOARD MEETING. It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

Joe Favaloro noted that he and Joe Foti had the opportunity to spend a day and a half in Washington meeting with members of the Congressional delegation, relaying the message that there is need for help with issues such as CSOs and water treatment. Mr. Favaloro stated, "Though we are extremely grateful for the nearly \$900 million of support that has been provided to ratepayers through the delegation's efforts, we are hopeful that the delegation will continue to support these issues."

D. PRESENTATION - UPDATE: METROWEST WATER SUPPLY TUNNEL -
Mike McBride, Deputy Director - Capital Engineering and Construction Department

Mike McBride, Deputy Director of Capital Engineering and Construction, gave an update on the MetroWest Water Supply Tunnel, reporting that it will connect the Walnut Hill Water Treatment Plant in Marlborough with the existing distribution system in Weston. The 17.6 mile tunnel will provide a redundant supply line for greater Boston while allowing the aging Hultmann Aqueduct to be taken out of service.

The overall program budget, set in 1996, was \$728.6 million, which included planning, design, construction management, contingencies, inflation, etc. The total estimated construction budget is \$539 million, of which \$502 million has been awarded. The entire tunnel is under construction and over 93% of the total program has been awarded. To date, overall progress is 37% complete. Mining is expected to be complete in the Fall of 2001.

Boring machines, worth \$7 million each, are being used to tunnel in four directions. The machines are self supporting, bringing power, water, air, light and ventilation lines. One set-back, expected to cost five to six weeks, was the failure of the main bearing in one of the boring machines. The bearing is 11 feet in diameter and weighs 26,000 pounds requiring a complicated replacement procedure. For the overall project, MWRA was running 15 days ahead of schedule, but now anticipates a 15-day set back.

A staff of 500 people, most from the MWRA region, are working on the MetroWest Tunnel, and to date have worked 1.6 million man-hours. There has been a greater emphasis on safety as the MWRA has underwritten the liability insurance on this project, for a current projected savings of \$3 to \$4 million.

E. COMMITTEE REPORTS

Finance Committee - Phil Farrington/Katherine Haynes Dunphy

- **ACTION ITEM:** Advisory Board Comments and Recommendations on the MWRA's FY99-01 CIP Contingency Budget Amendment and Supplemental Amendment

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Katherine Haynes Dunphy reported that the comments on the CIP Contingency Fund Amendment submitted in January had not been voted due to the cancellation of the February Advisory Board meeting because of inclement weather. Ms. Dunphy asked that members call in suggestions and comments on the proposed budget to Cornelia Potter at the Advisory Board.

Cornelia Potter reported that the Authority continues to provide amendments for review. Since the postponement of the February meeting, the Authority has submitted another contingency fund amendment request of \$6 million for Advisory Board review.

The contingency fund is a pool for funding to allow the Authority to modify its budget when unexpected changes related to contract awards and amendments to change orders come along during the course of the year. The contingency budget is a 10% multiple of the cash flow, with a 15% allowance for tunnel related projects.

Ms. Potter noted the first amendment request reviewed during January and February was for nearly \$17 million. Staff made 17 recommendations with reductions of \$4.8 million. The Authority accepted some of the recommendations, but declined to hold the spending on the Cambridge Sewer Separation project plans. MWRA accepted \$2.2 million of the \$4.8 million in recommendations.

In addition, Ms. Potter noted that this was an unusual circumstance for Advisory Board staff, giving the Authority our nearly final draft remarks for MWRA action prior to the Advisory Board action. Staff proceeded to approve the increase to the contingency funds, bringing it to \$50.3 million.

The Authority then submitted another \$6 million in amendment requests. No dollar reductions were made, but staff did recommend that the internal process for communication needed to be strengthened. Upon review, staff discovered that the amendment was not only incomplete, but the Authority may in fact need additional funds to get through to June.

A MOTION WAS MADE TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA'S FY99-01 CIP CONTINGENCY BUDGET AMENDMENT AND SUPPLEMENTAL AMENDMENT. It was seconded and passed by unanimous vote.

- **ACTION ITEM:** Advisory Board Comments and Recommendations on the MWRA's Proposed FY00-02 Capital Improvement Plan

Cornelia Potter stated that the Authority submitted a ten-year Capital Improvement Plan (CIP) for review with over \$2 billion in planned spending over the next ten years, of which more than 40% is proposed to be spent in the immediate year ahead and nearly two-thirds to be spent in the next three years. The largest projects are the MetroWest Water Supply Tunnel, the Walnut Hill Treatment Facility, and CSO projects, most notably the North Dorchester Bay Project in South Boston. The ten-year capital program includes an increase of nearly one-third of a billion dollars. Increases not yet reflected in the proposed CIP could add yet another one-third of a billion dollars. These items include the CSO program, as well as a number of other changes that could affect the Braintree-Weymouth project, the Corrosion Control Program, and several other currently planned capital projects.

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The Authority has identified rate increases for the next several years of 7% or more. The biggest driver of those increases is debt service. The Authority says that debt service payments for the capital program have increased between \$20 and \$35 million. In the past, federal grants have eased the debt service payments that were awarded for the Boston Harbor Project, which is nearing completion. Also providing support to the debt service program are such state supported programs as the Revolving Loan Fund and Debt Service Assistance.

The Waterworks capital program over the next several years will be qualified for only limited SRF funding and no debt service assistance, except for the MetroWest Tunnel. Federal grants for other wastewater and waterworks programs are not available at this time. Advisory Board staff has directed the Authority to take a more pro-active approach to planning for capital expenditures.

In addition, the Authority should create a task force that involves MWRA staff, the Board of Directors, Advisory Board staff and representatives from the federal regulatory community to go over the schedule that the Authority currently faces. Over the next three years the Authority is going to spend over a billion dollars on court ordered projects, and half of that billion dollars is for contracts that have not yet been awarded.

Staff also supports the pursuit of other sources of non-rate revenue, including federal grants, SRF funding, and the potential for additional support from the Commonwealth.

After review of the lengthy contracts, the Advisory Board recommends a series of reductions totaling \$91 million. The recommendations include modifications to the Boston Harbor Project, contract awards, spending needs over the next year or two, some major reductions on the waterworks side for the Walnut Hill Treatment Facility and reclassification of the North Maintenance Facility from a capital project to annual payments through the current expense budget.

Overall spending reductions and reconfiguration of spending schedules for the next three years should result in spending caps of: no more than \$475 million for FY00, \$400 million for FY01, and \$300 million in FY02. In addition, staff acknowledged the inclusion of a \$1.5 million project phase supporting Milton Sewer Relief, as well as recommendations to reduce professional services, insurance and administration related costs relating to the Boston Harbor Project.

A MOTION WAS MADE TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA'S PROPOSED FY00-02 CAPITAL IMPROVEMENT PROGRAM AND BUDGET. It was seconded and passed by unanimous vote.

- **PRESENTATION:** Components of MWRA's Proposed FY00 CEB – Barbara Gottschalk, Director - Finance

Barbara Gottschalk, MWRA Director of Finance, spoke regarding the long-term picture of the MWRA's Proposed Current Expense Budget (CEB). She stated that a significant piece of the Advisory Board's consideration in their comments on the proposed FY00 CEB will have to do with the MWRA's use of rate stabilization funds, or non-recurring revenue.

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MWRA staff looked at the out years before deciding what the proposed rate increase in FY00 would be. We are looking at 7.3% increases through FY06. The Authority has a track record of overstating what increases will be. If these projections are accurate, there will have to be more outside assistance from Washington, the SRF program or the Commonwealth.

Debt service accounts for 53% of the total FY00 projected budget. By the time we get to FY09, it will be approximately 62% of the total. Although investment income is significant, the critical piece is the non-rate revenue. The Authority is proposing not to use a large percentage of the non-rate revenue in FY00, but are proposing to use much more significant pieces in FY01 and 02. The amounts proposed are \$13 million in FY00, \$33 million in FY01 and \$32 million in FY02, thereby smoothing the rate increases each year.

Ms. Gottschalk stated that there is much less money in the State Drinking Water SRF Program, so even though the Authority is spending more on drinking water projects, we are getting less because we have been capped at 10% of the total this year. There is a much broader demand state-wide for SRF funds on the drinking water side than on the wastewater side. MWRA gets 30% of the state wastewater money. That means there's less money coming from the Commonwealth and the federal government, and that more will come from ratepayers.

There is a distinction between a very conscious decision to stretch out the payments for assets that will last for forty years and that it is perfectly reasonable to ask people that are going to be using that asset in year 35 to pay for part of it. People recognize that having a 40-year debt reduces rates in the short run, but the total debt service costs are longer.

Ms. Dunphy stated, "I think the MWRA should go back to the regulatory agencies, particularly in regard to the CSOs, if there is any possibility of getting help from Washington. The cap of only 10% is too low." Ms. Gottschalk responded, "The Authority started in the water program with a 30% cap, and argued in the public hearings on the proposed regulations that it was unreasonable. After the public hearing, they lowered the cap to 10%. MWRA will continue to work for assistance."

Susan Redlich of the Wastewater Advisory Committee asked, "Can you describe the basis for your decisions about maintenance costs in allowing the increases?" Ms. Gottschalk answered, "MWRA set a 2.5% target. We should not ask the ratepayers to spend more next year in real dollar terms than they are spending this year."

Operations Committee - Andy DeSantis

- **ACTION ITEM:** Approval to Connect a Single Family Home at 249 Central Street, Hingham into the MWRA Sewer System

Andrew DeSantis noted that the Operations Committee approved a connection of a single family home at 249 Central Street, Hingham into the MWRA Sewer System. The owners of the home, Owen and Paige Kane, have done everything according to the policy and will pay a connection fee consistent with the System Expansion Policy of \$7,400.00. We are working with the Hingham Sewer District to be sure they realize a four to one gallon reduction of flow in the Hingham Water System, providing an approximate daily reduction of 1200 gallons of flow into the Hingham system.

Joe Favaloro added that the Executive Committee requested that a program to ensure that the host communities remove the proper amount be developed.

A MOTION WAS MADE TO APPROVE THE CONNECTION OF A SINGLE FAMILY HOME AT 249 CENTRAL STREET, HINGHAM INTO THE MWRA SEWER SYSTEM. It was seconded and passed by unanimous vote.

- **STATUS:** Water Treatment Decision

Joe Favaloro reported that the Authority continues to proceed on the ozonation track. The MWRA appeared before Judge Stearns approximately two weeks ago, and the judge has taken the lawsuit under advisement. Both the U. S. Attorney and MWRA lawyers had an opportunity to make a half-hour presentation. They will appear before the Judge again this month.

Executive Committee - Joe Foti

ACTION ITEM: Selection of Citizens' Panel to Assist in MWRA Five-Year Progress Report

Joe Favaloro reported that this will be the third of the Authority's progress reports that are required by the Enabling Act in five year increments. It is the role of the Advisory Board to approve the selection of the panel. The Advisory Board will be active in this process and will provide input.

Tom Powers stated that MWRA worked hard to come up with a balanced oversight panel, which includes: Jon Beekman, Vice President of EarthTech; Jackie Jenkins-Scott, Executive Director, Dimock Community Health Center; Betsy Johnson, Member, Save the Harbor/Save the Bay and the Wastewater Advisory Committee; Mary Lee King, Senior Advisor for Planning and Development, Massachusetts Corporation for Educational Telecommunication; Charles Lyons, Selectman in the community of Arlington; David Neparstek, Commissioner of Public Health in Newton; and Michael Widmer, Executive Director, Massachusetts Taxpayers Foundation.

Mr. Powers noted that David Neparstek is a tentative member of the panel until he receives approval from the Mayor of Newton.

A MOTION WAS MADE TO APPROVE THE SELECTION OF A CITIZEN'S PANEL TO ASSIST IN MWRA FIVE-YEAR PROGRESS REPORT. It was seconded and passed by unanimous vote.

F. QUESTIONS AND COMMENTS

No questions or comments.

G. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:30 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary