

**MWRA ADVISORY BOARD MEETING
MARCH 16, 2000
WILMINGTON TOWN HALL
121 GLEN ROAD, WILMINGTON, MA**

MINUTES APPROVED AT THE APRIL 27, 2000 MEETING

Fourteen members were present: Al Renzi, FRAMINGHAM; William Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Gabriel Federico, MEDFORD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Jay Fink, NEWTON; Ted McIntire, READING; Stephen Casazza, WAKEFIELD; David Savoy, WALTHAM; Walter Woods, WELLESLEY; Steve Olson, WEYMOUTH; Michael Woods, WILMINGTON.

Also present: Andrew Pappastergion, MWRA Board of Directors; Barbara Gottschalk, Ken Wissman, Ron Joseph, Tracey Harik, Stephen Estes Smargiassi and Lorraine Downey, MWRA STAFF; Brian Keegan, WEYMOUTH; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

In the absence of Chairman Joe Foti, the meeting was called to order by Acting Chairperson Katherine Dunphy at 7:34 p.m. She welcomed everyone to Wilmington. A hearing on the Authority's proposed FY01 Current Expense Budget (CEB), at which MWRA staff made a presentation and responded to questions from the floor, preceded the meeting.

B. REPORT OF THE EXECUTIVE DIRECTOR

Joe Favaloro, Executive Director of the MWRA Advisory Board, stated that the three-year term of Andrew Pappastergion to the MWRA Board of Directors will expire on June 30, 2000. A notice will be sent to Advisory Board members requesting that those interested in serving on the Board of Directors send a qualification statement, letter of intent and resume to the Advisory Board. The Executive Committee, serving as the Nominations Committee, will review all applications at its May meeting, for an election to be held at the May Advisory Board meeting in Wellesley. [The election is now scheduled for the June meeting in Boston.] There is one vote per community.

In response to a proposal in the Governor's budget for a \$1 million procurement for an MWRA study for privatization, the Advisory Board has invited Paul Ladd from Administration and Finance to make a presentation at the April 27th Advisory Board meeting.

C. PRESENTATION: MWRA'S PROPOSED MANAGEMENT STUDY - Barbara Gottschalk, Director of Finance

Barbara Gottschalk, Director of Finance, stated that the MWRA planned to do a Management/Staffing study since last fall, recognizing the need to ensure that the MWRA is as efficient and effective as possible. The Authority has some internal ongoing efforts to review and evaluate the organization, but wants to bring in outsiders on a regular basis.

There are two components to the budget proposal. The first one is the QUALSERVE Review, which is a general look at water and sewer operations by people in the business. The American Water Works Foundation, the Water Environment Federation and the Water Environment Research Foundation, the industry organization of public sector utilities, established this program. It is a program that has a vigorous evaluation approach that uses five peers from other utilities to review the MWRA.

There are 26 business areas or functions in the QUALSERVE review. Each of these functions has a training manual and guides to the evaluations. There are lists of six to twelve best practices for each and the review team looks at those best practices and makes suggestions as a major part of the peer review.

Ms. Gottschalk stated that there is a \$50,000 expense to cover the costs for managing the program and transportation and is a relatively inexpensive way to get a very good, high level review of the organization as a whole.

The second piece of the budget proposal is a staffing study to determine whether the Authority has an appropriate level of staff. A previous HDR study recommendation foresaw that the number of engineers and General and Administrative (G & A) staff would decline over time, but couldn't conclude on a staffing count. Therefore, \$300,000 is included in the budget for an additional consultant study to look at staffing in engineering and G & A. Staffing is the MWRA's largest single direct expense, 47% of all direct expenses, and 27% of the total budget. Engineers and G & A staff account for approximately 40% of the total staff.

Ms. Gottschalk stated that if the Board of Directors were to approve the study in the budget, it should take the 12 months of FY01 to complete on a fast track basis. Additionally, this study might, particularly in connection with the Governor's proposal, need a special committee convened of the Advisory Board to look at management issues over the next year or two. MWRA hopes to downsize through attrition.

David Savoy asked, "Are people being let go, or do they go to another part of the organization?" Ms. Gottschalk stated that the MWRA fills a lot of vacancies from within. Employees are not unaware that this is going to happen, so people look for opportunities within the organization to move from a temporary to permanent spot. The Authority has done relatively few lay offs in the last couple of years.

Katherine Haynes Dunphy asked, "Will the study include an analysis of when it is appropriate to have your own employees doing functions like law and engineering and when it is more beneficial in the long run to use outside people on an as needed basis?" Ms. Gottschalk replied, "Yes, particularly in the engineering positions."

C. COMMITTEE REPORTS

Executive Committee – Joe Foti

◆ **ACTION ITEM: MWRA PAYMENT DATE ALTERNATIVES – Ken Wissman, Treasurer**

Ken Wissman, MWRA Treasurer, stated that the Authority proposed three payment date alternatives to assist the Authority with cash flow problems. The options are: 1) Move BWSC payments up and allow all other communities to pay on the current schedule; 2) Move the payment dates for all communities to August 1, November 1, February 1 and May 1; 3) Go to ten payments, due on the first of every month, except July and January. There has not been a consensus from the communities. Staff plans to go to the Board of Directors in April to make a recommendation.

Ms. Dunphy stated that some towns might have a problem because they are limited in the number of electronic transfers per month and asked how many communities use that method. Mr. Wissman stated that approximately half the communities with more than half the dollars use electronic transfers. MWRA has been working with the Massachusetts Municipal Depository Trust, which is a mutual fund run by the State Treasurer, to develop a way around the electronic transfer limits.

Walter Woods asked if communities would save money by making more frequent payments rather than one large payment. Mr. Wissman stated that there is a slight advantage to the community with the ten-payment option.

Jay Fink stated that the MWRA Advisory Board represents 60 cities and towns. A lot of communities feel that the City of Boston receives the silver-plated treatment when it comes to the weighting of its votes and how it controls the Board of Directors. Any option that has financial incentive strictly for Boston should be taken off the table.

Ms. Gottschalk stated that staff sensed opposition within the Advisory Board for anything but four payments on the current schedule. Staff invented Option 1 as a simple way not to run out of cash, but now understand that this approach may not be as attractive.

Andrew Pappastergion suggested that the ten-payment option would resolve the MWRA's problem permanently.

Mr. Favaloro stated that all the communities' input is going to be evaluated. Ms. Gottschalk noted that a decision is needed by April 19th.

David Savoy asked if the Authority would have better management if they had this money. Mr. Wissman replied that with the ten-payment option, the Authority could invest for longer to get a higher return and could avoid interest expenses.

Peter Hersey asked if the Authority has a cash flow problem, does that raise a red flag with investors, thus increasing the interest charge? Mr. Wissman responded, "Yes. The ten-payment option would provide the Authority with income as expenses occur. Investing the Authority's funds would be more efficient and help staff plan better."

◆ **LEGISLATIVE UPDATE**

Mr. Favaloro presented the legislative strategy for the upcoming state budget, which predominantly centers on ways of expanding debt service assistance. MWRA currently

receives 20% of eligible debt for wastewater projects and the MetroWest Tunnel. Option I would simply increase the number beyond 20% to 21% or 22%.

Option II is to expand the eligibility of debt service assistance to other water projects beyond the MetroWest Tunnel.

Option III is to take the original Enabling Act language of cost sharing between MWRA and the Commonwealth and go back to the original 50/50 split for the MDC Watershed Division budget.

Option IV would be elements of Options I, II and III.

Staff continues to look for a mechanism to fund the Local Pipeline Assistance Program and will file an amendment to try to get the program into the budget.

Staff has developed general language regarding surplus property to smooth the transfer of property from the MWRA to the Division of Capital Asset Management.

Additionally, staff will try to create a mechanism to recover \$5+ million that is still owed to the MWRA regarding the apparent failure of the Fore River ship building venture.

◆ **STATUS: NPDES PERMIT APPEAL**

The Executive Committee authorized a settlement agreement of the NPDES permit, which was reached after discussion with DEP and EPA. The 1.4 million-gallon limit was tied into the 12-month average flow of the plant to 415 million gallons. An active water conservation plan as part of NPDES has been removed from the permit. I/I requirements and SSOs are still a gray area. EPA came to the last I/I Task Force meeting to discuss its plan and decided to allow the communities to work out a plan before they make an impact with the NPDES permit.

Finance Committee – Phil Farrington/Katherine Haynes Dunphy

◆ **CIP BUDGET AND CEB REVIEW PROCESS**

Cornelia Potter stated that the Authority will deliberate on staff's recommendations and the Board of Directors will discuss them at the mid-May hearing. Two key components are reductions of \$57 million for a series of specific projects and recommendation of a cap on capital spending over a ten-year period. Bids on the intermediate pump station for the Braintree-Weymouth project, which were budgeted for \$24 million, came in at over \$40 million (70% over the budget, 50% more than the engineer's estimate). There were five bids, all in the same range.

Mr. Favaloro reiterated that staff is very hopeful that the Authority will engage the Advisory Board on the cap discussion. The Advisory Board expects a cap in place for the FY01 budget. The Advisory Board is willing to work with the Authority if they don't believe the Advisory Board's number is one that they can live within. If a mutual number can't be obtained, the Advisory Board will seek to institute the cap through the Legislature.

Ms. Gottschalk stated that the Authority understands how strongly the Advisory Board feels and agreed there is a lot to discuss.

Ms. Potter noted that the Current Expense Budget has the largest rate revenue increase since 1993 (\$24 million). More than half the increase is for debt service and nearly \$9 million is for direct expense increases. Most of the balance is due to the decision to use less rate stabilization. During this review, staff will also examine the MDC Watershed Division budget.

Five weeks from tomorrow, staff's recommendations will be submitted for consideration to the Advisory Board and then to the Board of Directors for a mid-May hearing. The final budget will be submitted for approval in June.

Operations Committee – Andy DeSantis

◆ **UPDATE**

Mr. Favaloro noted that at the Operations Committee meeting, Ron Joseph provided a presentation on the transition group within the MWRA.

With the opening of the new North Maintenance Facility, the Mystic Labs in Somerville will be closing and numerous other sites will be surplus to the Commonwealth. That is where communities send water samples for testing on a weekly basis. Those services will be provided at the new North Maintenance Facility in Chelsea.

E. QUESTIONS AND COMMENTS

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 9:14 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary