

**MWRA ADVISORY BOARD MEETING  
APRIL 27, 2000  
BRADLEY ESTATE  
ROUTE 138, CANTON, MA**

**MINUTES APPROVED AT THE JUNE 15, 2000 MEETING**

Twenty-two members were present: E. A. Maguire, ASHLAND; John Sullivan, BOSTON; Ed Sullivan, CANTON; J. R. Greene, GUBERNATORIAL APPOINTEE; Gary Genovese, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Bernard Cooper, NORWOOD; Ed Nelson, QUINCY; Ted McIntire, READING; Michael Hirsch, STOUGHTON; Stephen Casazza, WAKEFIELD; David Savoy, WALTHAM; Walter Woods, WELLESLEY; Jean Thurston, WESTON; Brad Hayes, WEYMOUTH; Albert Kirk, WILBRAHAM; Robert Antico, WILMINGTON.

Also present: Norman Jacques and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Nan Crossland, DEDHAM/WESTWOOD WATER; Mark P. Smith, EOE; Eileen Simonson, WSCAC; Barbara Gottschalk, Pam Heidell, Stephen Estes Smargiassi, John Gregoire and Lorraine Downey, MWRA STAFF; Lee Jensen and Andrew Klein, MWRA LABOR COALITION; Elisa Speranza; Andrew Klein, BOSTON; Gary Peters, WEYMOUTH; Joe Favalaro, 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 Chairman Ed Sullivan at 7:30 p.m. Mr. Sullivan introduced Avril T. Elkort of the Board of Selectmen, who welcomed everyone to Canton. She thanked Advisory Board members for their efforts on behalf of their communities.

**B. APPROVAL OF THE MINUTES**

A Motion was made **TO APPROVE THE MINUTES OF THE FEBRUARY 24 AND MARCH 16, 2000 ADVISORY BOARD MEETINGS.** It was seconded and passed by unanimous vote.

**C. PRESENTATION: EXPLORING MWRA PRIVATIZATION**

**❖ GOVERNOR CELLUCCI'S PRIVATIZATION PROPOSAL – Paul Ladd/Scott Jordan, Executive Office of Administration and Finance**

Scott Jordan of the Executive Office of Administration and Finance (A & F) stated that the Administration is concerned about 6.7% rate increases over the next seven years and would like to find ways to reduce operations and maintenance costs. Annual reports from Indianapolis, Houston, Atlanta and Milwaukee say that those cities have been able to reduce their operations and maintenance costs through a public/private partnership. The Administration proposes to hire a private contractor to perform some or all of operations and maintenance in MWRA facilities, without a change in ownership. The Board of Directors would keep its responsibility and oversight role. MWRA would continue to be responsible for capital improvements and debt service.

The Administration's proposal in the FY2001 House 1A budget submission is as follows:

*“For costs associated with the development of a request for proposals, including guaranteed price proposals, for the operation and long-term maintenance of all or a portion of the Massachusetts Water Resources Authority, the evaluation of said proposals, and the development of a recommendation to the Board of Directors of said Authority whether to maintain current operations or accept one or more of said proposals; provided, that in the event that one or more of said proposals are accepted, upon contract commencement the Commonwealth shall be reimbursed by the selected contractor or contractors for all expenditures from this item . . . \$1,000,000”*

If adopted, the state will perform a request for proposal process. The industry states that they can save money for ratepayers, without layoffs, and protect labor and the environment. The state will spend \$1 million to hire engineers, lawyers and various consultants who are experts in evaluating the proposals to help with a recommendation to the Board. The decision will be left to the MWRA Board of Directors. Governor Cellucci is supportive of this process.

Mr. Jordan stated that he sensed some apprehension and concern from MWRA employees regarding a private firm taking over the plant. A & F intends to include as part of any contract that is pursued that Operations remain with the same Union.

#### ❖ **PRIVATIZATION APPROACHES – United Water/U. S. Filter**

**Jim Creedon of United Water** stated that the MWRA system is operating efficiently and effectively with a good work force. But, he stated, communities ask themselves if it can be done better, without layoffs, while still providing the same salaries and benefits package.

The trend in the industry is public ownership/private operation, with a 15% to 40% immediate annual operating cost reduction. United Water suggests that the costs have to be thought of in three terms: Operations, debt service and future capital. MWRA has a huge debt service burden; United Water does not propose to change that. If operations costs can be lowered, while maintaining the standards established by the communities, cash flow can be freed up to help offset debt service and future capital improvement projects proposed by the Authority.

Focusing on predictive and preventative maintenance, rather than reactionary measures, can lower operational costs. Mr. Creedon further stated that if we are not doing our job, it will become readily apparent to the agency, which will maintain the right to inspect the plant 24 hours a day, 7 days a week. Local Unions are also encouraged to contact union representatives from United Water projects to discuss the working environment.

Mr. Creedon stated that a private company budgets for twenty years at a time and can make investment decisions in year three that will impact in year ten. A public agency usually budgets over one year, with perhaps a five-year plan. Making decisions over a one-year time period limits how you can budget. With the twenty-year method private firms can determine that it costs this much money to run, based on these investment decisions and the upkeep of maintenance and labor agreements, and can take those savings into year one and start providing them immediately.

**Rich Johnson of U. S. Filter** stated that many MWRA workers may be concerned for their pensions if they become an employee of a private operator. There is no question that we will match benefits and better it. U.S. Filter started in the United States in California in 1972 and was the first company to enter into a public/private partnership with a local governmental entity to take over the operation of its wastewater plant. U.S. Filter still has the contract.

EPA analysis estimates that the savings from going from a public to a private entity are between 6% to 46%. U.S. Filter averages about 25%. EPA has identified \$360 billion in capital improvements that need to be done in the next twenty years in wastewater facilities across the country, including MWRA projects. SRF funds are now available, but do not come close to making up the difference.

U.S. Filter employs 1,000 people in the Commonwealth, including chemists, engineers and technicians, who support all of their projects in house. Ninety percent of its employees came from the public sector.

MWRA has the opportunity to have the best private water companies in the world evaluate all of its systems, based upon the extensive experience that private companies have. The Commonwealth's \$1 million will provide scores more than the Authority will get from a management study. MWRA can only gain from this process.

❖ **ALTERNATIVE PERSPECTIVES – MWRA Labor Coalition, et. al.**

**Jeff Klein**, President of NAGE, stated that 61% of the MWRA budget goes to debt service and other fixed costs and 39% goes to the operation and maintenance of the facilities. Of that, only 19% goes to wages and salaries of all the MWRA employees. The rest goes principally for energy and chemicals to treat the water and sewage. Where do you cut to save money? If there are marginal savings to be made, because of this spending picture, the impact on rates is very minimal. Only a portion of the payment of a water and sewer bill goes to the MWRA, with the rest going for the water and sewer infrastructure of your town. Any savings on this side ends up being insignificant.

There are risks associated with these potential savings. A few years ago, the MWRA hired a consulting firm (HDR Associates) to do a management study. HDR's largest single savings of \$1.6 million was to run dirtier effluent at the Deer Island Wastewater Treatment Plant. MWRA runs cleaner than they have to by EPA standards. The savings of \$1.6 million a year translates to \$2 per household per year. Mr. Klein stated that having spent \$4 billion to construct a wastewater treatment facility to clean the harbor, it wouldn't make sense to save \$2 by running more waste into the harbor.

The DITP has a capacity of 1.2 billion gallons per day. United Water's two plants in Milwaukee add up to about half of the Deer Island plant; the other facilities are significantly smaller. None are remotely close to the size and scope of the Deer Island plant.

Private companies are not under the same public scrutiny that a public agency is. They don't always do it efficiently, but it doesn't make the newspapers when they mess up the way a public agency does. When government gets a bad rap for not managing properly, it usually means they are not sufficiently capable of monitoring and controlling the private contractors that do the work.

The New England District of the EPA keeps statistics on permit violations. Privately operated wastewater treatment plants, that by design run closer to their permit limits, have permit violations substantially higher than publicly operated plants.

United Water operates the water system in Atlanta and a large sewage treatment facility in Fulton County, just north of Atlanta. The sewage treatment plant spilled 600,000 gallons of sewage into the Chattahoochee River, which is three miles upstream from the drinking water intake to the City of Atlanta. Operators at the drinking water plant discovered coliform levels were very high. A few weeks later the operation of that plant came up for re-bid. Although United Water had the low bid, the Administrator's of Fulton County awarded the contract to a higher bidder because they blamed United

Water for mismanagement and improper staffing of the plant that led to that spill. Additionally, dozens of fire hydrants in downtown Atlanta had no water supply.

When the City of Atlanta operated its water system, it had 700+ employees. United Water reduced that to 400 employees. If you need to have a water service turned on, or a meter changed, you might have to wait six months. United Water customers in Delaware recently were told they had to boil their water because the water quality failed EPA standards.

When Vivendi acquired U.S. Filter, some of the shareholders went to court because it was alleged that executives of U.S. Filter were bribed by Vivendi to facilitate that purchase.

Who do you think should be controlling your water resources and being the steward of our environment? Two corporations whose bottom line is corporate profit or an organization run and staffed by your neighbors, accountable to elected officials, whose operation is transparent and reported on in detail? It is not a question we have to spend \$1 million to answer. The MWRA is doing a good job. It is improving where it needs to improve and if there is a spare \$1 million in the state budget, let's apply that to reducing the rates.

**Susan Brazil**, Vice President of Steelworkers Local 9358, spoke regarding the personal aspects. Ms. Brazil stated that all little kids between two and four find the wonder of the toilet in flushing. They flush little cars, action figures, crayons and money. It reappears further down the line. Our co-workers dig all of that out along with the dead fish, birds and gerbils that all the rest of us flush down the toilet and never give another thought to. I was born and brought up in the MWRA district. My grandparents paid a small amount for rates. Because of that, our infrastructure over the last one hundred years deteriorated. There was not much we could do about it until they formed the MWRA. Over the last fifteen years, the MWRA has done a good job of reversing all of that deterioration.

Ms. Brazil stated, "The Unions don't have the money to fight big business, but do have the power of the vote. When it comes time to put the politicians in office, we are going to remember those we feel voted against us. We are here representing our neighbors, friends, families and the 1700 dedicated well-trained employees of the 61 communities. Members of our locals are in every community and we vote. We want to protect the integrity of the MWRA's drinking water and sewerage systems."

### **Questions:**

Walter Woods of Wellesley asked, "Does the Union Coalition plan to offer a proposal?" Mr. Klein responded that the privatization law in Massachusetts has guarantees and safeguards including resources for the employees to make a counter proposal, but does not cover the MWRA. The Unions do not have the resources to offer a proposal. Paul Ladd stated that A & F would be in favor of the Pacheco Bill being amended to cover the MWRA.

John Sullivan of Boston asked the status of the Administration's line item; and asked if the Union's feel they are running at top pace. Mr. Jordan reported that the Governor's amendment was not included in the House bill; it may end up in the Senate bill. Why don't we try to get real information from a real procurement process with actual bids in hand. We will have real information from this area and then can have a discussion based on facts. Mr. Klein stated that MWRA is not a perfectly run organization, but neither are the private firms. The MWRA facilities are state of the art, using the best technology, with many facilities still in their early run phases. Improvements are being made all the time. The Milwaukee Sewage District put out a glowing report on United Water's operation at that facility, citing that in the first two years United Water put in a computerized maintenance tracking

system, MAXIMO. We have had MAXIMO at Deer Island since 1993. It is in the process now of being introduced throughout the Authority.

#### D. COMMITTEE REPORTS

##### Executive Committee - Joe Foti

##### ❖ ACTION ITEM: FY01 ADVISORY BOARD OPERATING BUDGET

Mr. Favaloro stated that the proposed budget for the Advisory Board for FY01 is \$429,898, an increase of approximately \$9,000 or 2% from FY00. The largest growing line items relate to health insurance, rental space and a minimum increase of salaries (3.6%). Some lease and maintenance agreements have been reduced.

A Motion was made **TO APPROVE THE FY01 ADVISORY BOARD OPERATING BUDGET**. It was seconded and passed by unanimous vote.

##### ❖ ACTION ITEM: DEDHAM/WESTWOOD WATER DISTRICT SUPPLY AGREEMENT RENEWAL

Joe Favaloro reported that both the Executive and Operations Committees approved unanimously the extension of an emergency agreement with the Dedham/Westwood Water District.

Nan Crossland of Dedham/Westwood stated that a vault is being constructed for an emergency connection to the MWRA in Dedham that has taken longer than expected. This supply will be a back up for emergencies and some minor use during the day while one of the large standpipes comes down and a replacement standpipe is built. The current agreement ran out in January. Construction is just beginning; therefore, a six-month extension is needed. No MWRA water has been drawn.

A Motion was made to approve **DEDHAM/WESTWOOD WATER DISTRICT SUPPLY AGREEMENT RENEWAL**. It was seconded and passed by unanimous vote.

##### Finance Committee - Phil Farrington/Katherine Dunphy

##### ❖ ACTION ITEM: ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY01 CEB

Cornelia Potter stated that the MWRA is proposing a \$502 million budget for FY01. The proposed budget includes nearly \$200 million for direct operating and related expenses; another \$35 million for indirect expenses, such as insurance, mitigation, retirement payments and \$20 million for the MDC Watershed Division; and \$270 million for debt service. Nearly 80% of the Authority's proposed budget is to come from rate revenue (\$388 million); \$10.6 million from other user charges; nearly 10% of the anticipated debt service assistance payments will make up revenue and another 8% from investment income. The Authority's proposal for \$388 million rate revenue represents a \$24 million increase over FY99, which is a 6.7% increase over the rate required for FY00.

It is the largest increase since 1994 in both dollar and percentage terms. Over the past seven years, annual rate revenue has increased by just over \$70 million; over the next seven years, annual rate revenue is to increase by 6.5% every year. By seven years from now annual rate revenue will be \$210 million higher than today's rate revenue, which is three times the dollar increase from the previous seven years.

Roughly 30% of the recommendations are for operating expenses; 30% are for reductions from capital finance; 30% are recommendations to utilize more rate stabilization funds; and the remainder are from a modification to the payments associated with the MDC's Division of Watershed Management.

Key recommendations encourage the Authority to accelerate plans for its management study. Until that review is complete, the Advisory Board recommends that the Authority implement a hiring freeze, except for the Chief Operating Officer position or positions filled from within the Authority. Consistent with that, the budgeted amount for wages and salaries can be reduced next year by at least \$867,000.

Plans for Chelsea North Maintenance Facility are running slower than assumed when the budget was prepared; therefore, recognize a one-month delay for a reduction of \$490,000. More recently, in regard to mitigation, the Authority has approved a revised mitigation agreement with the Town of Winthrop and assumptions that were put into the proposed budget can now be revised down to reflect the agreed upon contract obligation agreement, for a budget reduction of \$900,000.

The Advisory Board believes that the MDC budget can accommodate the fringe benefit rate for the Watershed Division; therefore, the budget can be reduced by \$1.5 million.

The real driver of increase in rates is capital finance. Staff has recommended a series of modifications, rescheduling and updates to the Authority's expense plans for capital financing, which total a \$3.2 million reduction.

The Authority's Feasibility Engineer has reviewed the Renewal and Replacement Reserve and Insurance Reserve and determined that they could be reduced. The Advisory Board recommended that the \$15.5 million in savings be used over a five-year period. In total, the Advisory Board recommended \$11.5+ million in reductions to the Authority's proposed \$500 million budget for a revised rate revenue increase of 3.5%, approximately one-half of the Authority's proposed 6.7% increase.

A Motion was made **TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY01 CEB.** It was seconded and passed by unanimous vote.

Joe Favaloro noted that Mayor Dorothy Kelly Gay of Somerville would be hosting the first annual CEO meeting on Tuesday, May 2<sup>nd</sup> at 10:00 a.m. at Somerville City Hall. All MWRA community CEOs have been invited. The meeting is being held to develop an overall plan for the Capital Improvement Program (CIP). Progress has been made in developing an Authority-wide cap in the capital budget along with our recommendations on the CEB and plan of action related to federal and state assistance.

❖ **STATUS: MWRA CIP CAP PLAN**

Mr. Favaloro stated that significant progress has been made with the MWRA staff in developing a CIP Cap that both the Advisory Board and the MWRA can live with. We will present a consensus plan to the full Advisory Board at the May meeting. Staff have agreed in principle on a ten-year cap for the MWRA, which was the principal direction and recommendation of the Advisory Board as part of its capital budget review.

❖ **PREVIEW: CONTINGENCY BUDGET AMENDMENT**

Cornelia Potter reported that last week the Authority submitted, for the Advisory Board's review, an amendment to the contingency fund for all capital projects except the Boston Harbor Project. The trigger for this amendment of \$10.5+ million is the anticipated award of the Intermediate Pump Station for the Braintree-Weymouth project, with the lowest bid at \$17.5 million more than the budgeted amount.

**Operations Committee** - Andy DeSantis

❖ **PREVIEW: CONSUMER CONFIDENCE REPORT**

Steve Estes-Smargiassi, Director of Waterworks Planning, stated that the second Annual Water Quality Report is due out at the end of June. MWRA will send in excess of 800,000 copies, on behalf of all the water suppliers, in fulfillment of a Safe Drinking Water Act requirement. In addition, 34 communities have agreed to do an insert. Focus groups have shown that more people would read the report if it looked more official – like a government document and less like an advertisement.

Due to the work that has been done on corrosion control, lead levels are lower this year; the goal was 90%. In 1992, lead levels were at 51% and are currently at 89.6% system wide. The largest amount of comments on the content of the report from last year had to do with providing additional information on lead. No communities failed the Total Coliform Rule this year. Only half-a-dozen communities had any total coliform bacteria positives at all; none violated the rules. MWRA continues not to have any chemicals in violation of the standards for the remainder of the 142 contaminants that the Authority tests for.

Mr. Woods stated that we hear how great the water is; however, bottled water sales are breaking records. Mr. Estes-Smargiassi stated that the goal of this document would be to relay to consumers that their tap water is safe. The main reason for sales of bottled water is the convenience.

Ed Nelson of Quincy stated that Northeastern University's newspaper on April 4<sup>th</sup> had a story about bottled water versus tap water. The University specialist said bottled water, because it sits there, may have much higher levels of bacteria than you would ever get out of the tap water. Tap water in Boston is as good, if not better, than most of the bottled waters they can buy anywhere. It is perception and convenience.

**E. ADJOURNMENT**

**A MOTION WAS MADE TO ADJOURN THE MEETING AT 9:40 P.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary