

**MWRA ADVISORY BOARD MEETING
MAY 18, 2000
WELLESLEY TOWN HALL
525 WASHINGTON STREET, WELLESLEY, MA**

MINUTES APPROVED AT THE SEPTEMBER 21, 2000 MEETING

Fifteen members were present: Ed Sullivan, CANTON; Al Renzi, FRAMINGHAM; J. R. Greene, GUBERNATORIAL APPOINTEE; Gary Genovese, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Peter Hersey, MELROSE; Martin Feeney, MILTON; Jay Fink, NEWTON; Joe Foti, SOMERVILLE; Phil Farrington, STOUGHTON; Stephen Casazza, WAKEFIELD; Walter Woods, WELLESLEY; Jean Thurston, WESTON; Brad Hayes, WEYMOUTH.

Also present: Norman Jacques and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Michael Hirsch, STOUGHTON; Michael Downey, NEW ENGLAND CENTER FOR CHILDREN; Michelle McGee, CHOATE, HALL & STEWART; Barbara Gottschalk, Stephen Estes-Smargiassi, Ron Joseph and Lorraine Downey, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

The meeting was called to order at 7:38 p.m. by Chairman Joe Foti, who welcomed everyone to Wellesley.

B. REPORT OF THE EXECUTIVE DIRECTOR

Joe Favaloro reported that the term currently held by Andrew Pappastergion on the MWRA Board of Directors ends on June 30, 2000. Letters of intent for those wishing to seek the nomination are due by June 2nd. The Executive Committee will interview potential candidate(s) and make a nomination on June 9th; and the full Advisory Board election and vote will take place on June 15th.

After individual meetings with CEOs in their communities and a CEO group meeting hosted by Dorothy Kelly Gay, Mayor of Somerville, an overall resolution in favor of the establishment of a spending cap, holding rates to 3.5% and actively pursuing federal and state assistance was formed. Forty-two communities approved and signed off on the resolution. The Authority, through the Advisory Board's comments and recommendations on the CIP and CEB, has endorsed the establishment of a capital spending cap.

C. PRESENTATION: MWRA RESPONSE TO THE ADVISORY BOARD'S CIP AND CEB COMMENTS AND RECOMMENDATIONS - Barbara Gottschalk, Director of Finance

Barbara Gottschalk, Director of Finance, stated that the Advisory Board, in February, recommended a CIP spending cap. The CIP is presented in current dollars, but each year a year of costs is added to update the project costs for all the unawarded contracts.

MWRA never quite spends what was intended to be spent in year one, so even though the cost of the project hasn't gone up, some dollars going into year two make it look like the CIP has grown.

Projects get added and costs grow because of change orders. Staff realizes only this last factor is the real concern in driving rates up. Staff tried to construct a cap which allowed MWRA to manage the budget without being penalized because of inflation, which is already built into all the planning estimates and not be penalized because the cash flows are lagging.

Staff came up with three guiding principles for the cap: 1) It must be long term and account for inflation. 2) It must be flexible to account for spending deferred from one year to another because of schedule changes or delays. 3) It must include clearly defined measures for determining compliance.

The Cap will be a ten-year rolling aggregate. Included in that ten-year total are inflation and contingency allowances. Each year the ten years would be reset.

To calculate the cap, staff took the first five years of the proposed CIP and the following five years at \$100 million to come up with the ten-year aggregate cap of \$2.283 billion. It is a ten-year cap, not an individual year cap.

The Board of Directors stated that there would be no float to the cap. If project costs go above the contingency amounts, projects will have to slide out beyond the ten-year schedule in order to be completed.

Additionally, the Board fixed the first three years. Staff's initial thinking had been if costs went up in FY01, for instance, FY02 could be increased, with the outyears decreased. The total would be the same, but it would give more flexibility in scheduling. Some Board members were uncomfortable with that plan, and they felt it would be better to fix the first three years.

The Current Expense Budget (CEB) presentation to the Board was begun by Bill Brutsch, Chair of the MWRA's Operations Committee (OPCOM). OPCOM is an internal committee that consists of the senior people in the Water and Sewer Divisions to work collaboratively and increase efficiency.

In response to the Governor's privatization proposal and the continuing pressure that MWRA staff feels about keeping rates down, OPCOM sees three major themes in getting MWRA to be more efficient. 1) Consolidation; 2) Effective use of technology; 3) work practices – making sure the MWRA is as efficient as can be.

Three things on the OPCOM agenda are:

1) The Advisory Board recommended a hiring freeze until a planned “competitiveness study” to identify staffing requirements is complete. The result of the hiring freeze is an \$870,000 reduction in the proposed wages and salaries budget. Staff objected to a hiring freeze, stating that it would be difficult to manage if positions could not be filled. While the Authority does not agree to the freeze, they do agree to cut the budget by \$870,000, plus \$600,000 further. OPCOM will review the need for every vacancy that staff wants to fill to determine if someone shared from another division can fill the void on a temporary basis until a final number of employees has been determined. OPCOM understands MWRA will live within the wages and salaries line item recommended to the Board.

2) OPCOM is also working on a staffing plan for the new North Maintenance Facility and has identified between ten and 13 support staff positions that can be eliminated because people are located together and can do their work differently. MWRA has not yet decided how to make these positions vacant. A transition plan for consolidating the skilled tradesman housed in one facility is also in motion.

3) The final thing that OPCOM has taken over is the competitiveness study. Two months ago MWRA talked about a management study to look at administrative support staff and engineers. The OPCOM said expand the study to the whole agency, so they added the category of operations and maintenance staff. An independent assessment of what staffing levels should be is needed to be to be competitive with private firms like United Water. They save money by having fewer people run their facilities. The study will be starting in July and with results expected for the FY02 budget.

An important issue from the Advisory Board’s perspective is the rate increase for next year. Staff’s view of the rate increase is to look at this year and the out years. That is the context from which staff made the 5.5% increase recommendation. The Advisory Board recommended 3.5%. The Board of Directors was heavily swayed by the Advisory Board’s recommendation and voted tentatively four to two to go with 3.5%. If FY01 is 3.5%, the out years will go back up to 7.2%. Everyone needs to be aware that when you don’t pay now, the rate increase is going to be larger.

Mr. Favaloro stated that getting to the right number of employees at the MWRA, refunding and refinancing, along with the Authority and the Advisory Board working together to convince the Legislature to get more debt service assistance will help to reduce future rate increases.

Walter Woods asked if staff could project the break down of water and sewer percentages. Ron Joseph replied that the sewer rate will be close to the 3.5%, and water will be over 10%, possibly as much as 15%. Water rate increases are considerably higher because the Authority’s debt is becoming heavily water debt and does not have the same level of debt service assistance as the wastewater debt.

Mr. Favaloro challenged the Authority for the next fiscal year to speak in terms of dollars, instead of percentages. Ms. Gottschalk and Ron Joseph agreed.

Mr. Foti commended Joe Favaloro, Cornelia Potter and Ryan Ferrara for their efforts. Additionally, Mr. Foti thanked the Advisory Board's MWRA Board members, John Carroll, Norman Jacques and Andrew Pappastergion, for the efforts they made to reach Board consensus on the 3.5% recommendation.

Mr. Favaloro stated, "It works because the Authority and the Advisory Board staff can agree and at times can agree to disagree. At the end of that process it is a rate that was diligently discussed and appropriate."

D. COMMITTEE REPORTS

Executive Committee - Joe Foti

❖ ACTION ITEM: Emergency Water Supply Agreement with Town of Stoughton

Phil Farrington, Town Manager, stated that Stoughton has a supply problem in very hot weather. Last summer, Stoughton would have literally been without water if not for the Town of Canton and the MWRA. The situation has been studied carefully by the Authority, the Water Resources Commission and the Advisory Board Operations and Executive Committees. Stoughton has done everything possible to keep demand down and is out of options within the community and now must go to a regional solution. The two options available are to join the MWRA permanently or buy into the proposed desalinization plant that is going to be built in the Freetown/Dighton/Fall River area. The decision will be made before the end of the calendar year.

Ed Sullivan of Canton stated, "As a neighbor of Stoughton and one who has been involved with Stoughton's emergency water situation for about seventeen years, I can attest that they have not abused the option. I highly recommend the connection."

A Motion was made **TO APPROVE AN EMERGENCY WATER SUPPLY AGREEMENT WITH THE TOWN OF STOUGHTON**. It was seconded and passed by unanimous vote.

❖ ACTION ITEM: Wastewater System Expansion Request – New England Center for Children

Michael Downey, Director of Finance and Operations for the New England Center for Children (Center), stated that the Center is a non-profit school, established in 1975, serving special needs children. The school serves 215 students, of which 135 are residential students who live in 17 group homes in communities surrounding Southborough. All 215 students come to the central facilities in Southborough, which houses a school and administration staff.

In 1989, the center was enlarged from 42,000 feet to 62,000 feet, increasing the number of students in attendance. As a result, the present septic system is failing and cannot handle the volume. The center has investigated replacing the septic system and found that based on town flow and new Title 5 regulations, a new system on the current site isn't feasible. The Southborough Board of Health in a letter dated January 14th recommended to all parties that consideration be given to the sewer extension due to poor soils on the site.

The proposal is to run a sewer pipe 3,200 feet from the Center to the sewer in Framingham. A tri-party agreement has been drafted and approved by the councils for Framingham and Southborough and is now in the process of being signed.

Mr. Favaloro noted that both the Operations and Executive Committees approved the connection, subject to conditions.

Mr. Woods expressed concern on infiltration and suggested that the proponent utilize high quality materials. Mr. Downey stated that the Town of Framingham has asked that they be involved in the supervision of the installation, which the Center has no problem with.

A Motion was made **TO APPROVE A WASTEWATER SYSTEM EXPANSION REQUEST FOR THE NEW ENGLAND CENTER FOR CHILDREN, SUBJECT TO CONDITIONS SET FORTH BY THE OPERATIONS AND EXECUTIVE COMMITTEES.** It was seconded and approved by unanimous vote.

❖ **Legislative Update**

Mr. Favaloro reported that the sewer rate relief fund has \$53.9 million, for which the Authority is eligible for \$48.4 million. It is uncertain if MWRA will receive the full amount.

Three different approaches on the SRF were offered: The Governor's budget has 2% loans, as opposed to the interest free loans; the House budget has interest-free loans for two more years, then going to 2% loans; the Senate budget has the original SRF intent of 0% loans. It is unclear in which direction the final budget will go.

Presentations on privatization were made at last month's Advisory Board meeting. Discussions will continue over the fall, via the Advisory Board Operations Committee. Privatization was not part of the House budget and will not be part of the Senate budget.

One surplus property that was turned back to the Commonwealth and sold to a private entity was Lake Cochituate. There was \$200,000 of reimbursement due the MWRA. The Authority has worked diligently over the last couple of years to be made whole again. The \$200,000 was included in the House Budget and is in the draft Senate Budget. If the Governor does not veto it, the MWRA should be reimbursed.

The Advisory Board and the Authority continue to try to have overall language to return Chestnut Hill and other property, which are owned by the Commonwealth, but under the care of the MWRA, included in the budget. As the properties have become surplus, the interpretation for the mechanism to return them to the Commonwealth has not been clear. The House Budget was amended to include surplus property. The language was still incorrect, so a technical amendment was filed. Senate Ways and Means said they understood and would work with staff to get it done.

Two other amendments are going to be filed by Senators Shannon, Travaglini, Havern and Walsh, and many of the other MWRA Senators, regarding language for the 50/50 split of the MDC Watershed Division; and, making debt service assistance eligible for the Walnut Hill Water Treatment Plant. Staff will work diligently on both. Chances are

Walnut Hill will not go through because there are so many other water treatment plants and communities that are facing costs associated with the SDWA.

The original Enabling Act called for the Commonwealth to split the costs for the MDC Watershed Division with the MWRA. This could have a significant and immediate benefit for water communities of upwards of \$10 million per year.

Operations Committee - Andy DeSantis

❖ **STATUS: Court Decision on Filtration**

Steve Estes-Smargiassi stated that on May 5th Judge Stearns ruled in favor of the MWRA's overall program – watershed protection, disinfection via ozone/chloramination and pipeline improvements. He said that MWRA is in compliance with the Safe Drinking Water Act and that the MWRA's plan would adequately protect the public health, which is the intent of the law. The Judge also ruled that EPA had not demonstrated that filtration was necessary, nor that it was cost effective.

Common elements have been under construction since last May. The treatment component of the project will go to the Board of Directors by the end of October for a November 1, 2000 notice to proceed.

E. QUESTIONS AND COMMENTS

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 8:38 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary