

**MWRA ADVISORY BOARD MEETING
APRIL 26, 2001
MASSACHUSETTS STATE HOUSE
ROOM 350, BOSTON, MA**

DRAFT MINUTES

Twenty-four members were present: Philip Farrington, ARLINGTON; John Sullivan, BOSTON; Charles Barry, BROOKLINE; Pete Peters, BURLINGTON; Ed Sullivan, CANTON; Al Renzi, FRAMINGHAM; J. R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; William Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Ed Bates, MAPC; Gabriel Federico, MEDFORD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Ted McIntire, READING; Joseph Foti, SOMERVILLE; Jeanne M. Fleming, STOUGHTON; David Savoy, WALTHAM; Walter Woods, WELLESLEY; Jean Thurston, WESTON; Brad Hayes, WEYMOUTH; Michael Woods, WILMINGTON.

Also present: Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Ernest Williams, CANTON; Colleen Leo, EVERETT; Ralph Pecora, LEXINGTON; Donald A. McCabe, Jr., WALTHAM; Amy Panek, SENATOR JACQUES' STAFF; Jamie Mazzoe, REP. DE LEO'S STAFF; Barbara Gottschalk, Michael Hornbrook, Pam Heidell and Steve Estes-Smargiassi, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

AGENDA

A. WELCOME

Chairman Joe Foti called the meeting to order at 12:06 p.m. and introduced Representative Robert DeLeo, Chairman of the MWRA Caucus, who welcomed everyone to the State House. Rep. DeLeo publicly acknowledged his thanks to House Speaker Thomas Finneran and House Chairman of Ways and Means John Rogers for hearing the needs of ratepayers in restoring debt service assistance in the House of Representatives Budget.

Rep. DeLeo stated that he believed that the working relationship between the Advisory Board members and elected officials works to everyone's advantage. On behalf of the House of Representatives, Rep. DeLeo thanked the Advisory Board members for their efforts.

Chairman Foti thanked Rep. DeLeo and the MWRA Caucus, not only in this instance, but also for their efforts over the past several years. He stated that the Advisory Board appreciated Rep. DeLeo's "open door policy".

B. APPROVAL OF THE MINUTES FROM FEBRUARY 22, 2001 AND MARCH 15, 2001
A Motion was made **TO APPROVE THE MINUTES FROM THE FEBRUARY 22, 2001 AND MARCH 15, 2001 ADVISORY BOARD MEETINGS.** It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

Joe Favaloro stated that the Advisory Board has been the one entity to express concern that Chairman Durand of the MWRA Board of Directors has not outlined or publicly discussed the process to fill the MWRA Executive Director's position.

The Advisory Board has sent two letters in the past six weeks inquiring on the public process to find a replacement for Doug MacDonald. To date, there has been no response to those letters. Informally, there has been a process in play to hire a new Executive Director, which Mr. Favaloro believes will be discussed at a Board of Directors meeting when Chairman Durand feels it is appropriate.

Mr. Favaloro extended an invitation to Advisory Board members to the Boston Harbor Symposium to be held on May 16th at the University of Massachusetts – Boston at which time the Honorable A. David Mazzone will present his papers on the Boston Harbor Project to the University. The day's events will culminate with a reception for Judge Mazzone. During the day, a luncheon will be held in honor of Congressman J. Joseph Moakley.

On May 15th, a day-long Board of Directors hearing will be held on the Capital Improvement Program and Current Expense Budget. Advisory Board members are welcome to attend.

At the April 20, 2001 Executive Committee meeting, Advisory Board staff received authorization to investigate the parameters of legal actions the Advisory Board can take if the MDC Watershed Division seeks more money from the MWRA.

The MDC Watershed Division is down to two final contracts on a sewerage plan for central Massachusetts (West Boylston and Holden), for which they are \$3-\$5 million short. At this time, after further discussion between MWRA and the Watershed Division, it seems the MDC has come up with a plan that does not involve the MWRA.

To get more accountability to ratepayers on the day to day operations at the Watershed Division, staff is working with the Legislature.

D. PRESENTATION: MWRA IN THE POST DOUG ERA - Barbara Gottschalk, Interim Executive Director

Barbara Gottschalk, Interim Executive Director, stated that the Advisory Board keeps the MWRA accountable and has caused all of us to pay more attention.

Ms. Gottschalk stated that Mr. Favaloro was too modest to share that he will be a panelist at the Boston Harbor Symposium. The Boston project is unique in the United States. Not only to take Judge's papers, but others involved will be writing a piece of history, which will be a library on how to get projects done.

This is my take on what to focus on. Short and long term.

Not MWRA, success for Advisory Board and Legislature caucus that made this happen. I was skeptical back in February. Major accomplishment. Lot of credit to Advisory Board and caucus on recent success.

Residuals rebid. Authority had no experience in pelletizing plant, therefore, appropriate to contract out that work. Plant uses fairly standard equipment, which is new. Got successful bids, with contractor responsible for all sludge processing and marketing, in February saving \$6.2 million. Overall a 34% savings over the 15-year contract. Pleased with the results.

During the recent rain events in March, all three batteries at the Deer Island Wastewater Treatment Plant operated very well and were able to handle the flows.

Another very recent success is that for the first time in MWRA's water testing, lead registered below the Lead Action level. The requirement is 15 ppb; MWRA falls at 13.7 ppb.

QualServe report review brought in five experts from the industry for review of the MWRA. Commissioned to be efficient. Outlined key strengths and gave opportunities to improve. Skilled and committed work force but take advantage of more labor-management collaboration. Suggested that the Authority prioritize elements they are working on. So much going on. Organize.

Operations reorganization was done combining 100 year old water and sewer divisions into one Operations Division under the supervision of Michael Hornbrook. 750 people got moved around in the organization. Many do same job, but think differently.

Long term goal working on start up plan of "Operation Turn On" at MWRA. 16 connections have to be done in low water use period in the fall. If doesn't get done in fall, have a major problem.

In short term will be moving to Chelsea in three weeks. Not as nice a trip to island, very nice facility for August tour. Is the basis for lot more efficient use of all employees. Got to have people together to think about how to use them differently. Better inventory management in one location. Have to be out of building 36 in navy yard by July 1.

I/I management. Task Force report came out in March with list of short, mid and long-term goals. Five years out, need to pay attention to. Number of things listed as low urgency in the short term have a high priority in the long term.

Wastewater. Automation of the water side is considerably further along than the wastewater side. Last big automation push is on wastewater side finished in 2008. Opportunity to save money. Run more efficiently.

Framingham Extension Relief Sewer odor and corrosion response plan. Operations Committee meeting on May 8th. Difficult issue for many communities. Schedule is to issue... into compliance in October. Don't want system to deteriorate.

Reliability centered maintenance. Looks at each piece of equipment and can it be replaced by reserve pump. What causes it to fail and simply analyze good make dramatic savings in

maintenance costs. Staff intensive, but will have managed better running system and spend less on maintenance. Pilot started on Deer Island .

CIP study on schedule.

NPDES compliance with our permit is fundamental

Staying competitive cross functionality. combination of changing job descriptions and consolidating titles. Important to long term efforts. Make best of most important resource, which are staff. Competitiveness study is more about how efficient we are. Three pieces of the study. 1. Staffing study. Hired Black and Veatch to compare us to others to get comparisons. Report due may or June. How many employees for each of the next five years and then for ten years out.

Work process improvements of the competitiveness program design. Make sure you continue to get with fewer people . to certain extent, Advisory Board good at taking the fire.

Managing rate increases a priority. Propose a structure to ensure that service and efficiency improvements remain a top MWRA priority.

Illustration of the benefits of the good news in getting the debt service assistance. 5.9% now through FY09.

John Sullivan asked on Reliability centered maintenance, has this been done before. Bg said this model is long established in airline industry. Mike Hornbrook added that they visited a major steel manufacturer in Canada and Georgia to assess the pros and cons. Bg said not calendar based. Mh equipment condition modeling also important aspect of it.

Walter Woods 1.136 mgd on water efficiency what is capacity. Mh 1.2 billion gallons capacity.

E. COMMITTEE REPORTS

Executive Committee - Joe Foti

❖ ACTION ITEM: ADVISORY BOARD'S FY02 OPERATING BUDGET

Mr. Favaloro noted that the overall increase for the FY02 Advisory Board Budget is \$18,000. The increase is due primarily to office space rate increases. Mr. Favaloro consolidated other line items, including a reduction from six to five staff positions.

A Motion was made **TO APPROVE THE ADVISORY BOARD'S FY02 OPERATING BUDGET**. It was seconded and passed by unanimous vote.

❖ LEGISLATIVE UPDATE

Mr. Favaloro noted that with the restoration of debt service assistance, the Executive Committee and staff have chosen not to pursue any further items on the Advisory Board's Legislative Agenda for this year.

Previous language, however, allowed the Advisory Board review of the MDC Watershed Division budget. Attempts to gain access to the budget have been unsuccessful. Staff has

been working with the state (Post Audit and Oversight), which will make inquiries within the next week to ten days.

❖ **PROCESS TO ELECT ADVISORY BOARD REPRESENTATIVE TO MWRA BOARD OF DIRECTORS**

Up to a week ago, there was an assumption that Norman Jacques, whose term on the MWRA Board of Directors expires on June 30, 2001, would run for reelection. He has decided not to seek reelection. In May or June, the Advisory Board will have an opportunity to thank Mr. Jacques for his sixteen years of service on behalf of the ratepayers.

If any Advisory Board member is interested in pursuing a seat on the Board of Directors, a letter of intent, along with a resume, should be forwarded to the Executive Committee, which will serve as the Nominating Committee. The deadline for candidates to submit a letter of intent is June 8, 2001. Anyone interested in applying will have an interview before the Executive Committee on June 15, 2001, at which time the Executive Committee may make a nomination.

On June 21, 2001, candidates may address the full Advisory Board meeting to say why they wish to serve on the Board of Directors. The election will be held at this meeting. Each community is allowed one vote; therefore, a quorum of 33 voting members is necessary to validate the election.

Andrew Pappastergion suggested that the Advisory Board move future elections to a daytime meeting, which are usually better attended. Mr. Favaloro agreed to move the election date for next year, but the effective term date will remain July 1.

Finance Committee - Phil Farrington/Katherine Dunphy

❖ **ACTION ITEM: ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO MWRA'S PROPOSED FY02 CURRENT EXPENSE BUDGET**

Cornelia Potter stated that the Authority is proposing a budget totaling \$518 million in expenses, before accounting for debt service assistance and grant receipts. Nearly 60% (\$301 million) is for debt service to support the capital program. Just over 40% of the budget is for direct expenses (\$185.7 million) and indirect expenses (\$32.4 million).

The Authority notes that the total represents a \$20 million increase over the final FY01 CEB, and is due primarily to increases of \$27.3 million in debt service, offset by a \$5.3 million decrease in direct expenses and a \$2 million decrease in indirect expenses. Increases in watershed reimbursement expense also contribute to budgeted cost increases. The direct expense decrease is due in large part to major initiatives to control costs relating to the residuals processing contract and to utility and chemicals cost reductions at Deer Island. The major decrease in indirect expense spending results from a \$2.9 million decrease in budgeted mitigation payments to Quincy due to the completion of the residuals plant expansion and transfer of Weymouth mitigation costs to the capital budget.

The \$517.6 million budget crosses the \$500 million mark for the first time and is greater than the proposed capital spending for FY02 of \$442.1 million.

The proposed budget assumes that 80% of the revenue needed to support the proposed expenses will come from rate revenue as well as other user charges. Another 10% would

come from state debt service assistance and the final 10% would come from investment income and rate stabilization funds.

Over the past seven years, annual rate revenue increased by \$72 million, at an average annual rate of 3.4%. Over the next seven years, the Authority is projecting rate increases of 5.9% each year. By seven years from now, in FY09, annual rate revenue is projected to be \$214 million higher than the FY01 rate revenue requirement. Increases in projected debt service payments continue to dominate budget growth.

The Advisory Board recommendations total just over \$9 million and would mean a revised wholesale rate increase of no more than 3.5%. Nearly half of the reductions are for lower operating expenses. Another 30% of the recommendations are for reduced capital financing expense and a correction for PILOT payments represents about 3%. Additional revenue from non-rate sources accounts for just under 20% of the recommended reductions.

There is a lot of movement at the Authority to reduce the number of positions and the amount of spending for Wages and Salaries. In the year ahead the Authority is anticipating funding 90 fewer positions on average than this fiscal year, a dramatic reduction. The recommendation of \$648,000 is equivalent to taking a dozen positions out of the funded pool.

Another significant recommendation is under fringe benefits. Spending is 13% below the amount budgeted through February and actual spending is a good deal below where they are budgeted for next year. In the fiscal year just closed, staffing levels were much higher, so we think they can safely take \$110,000 out of the budget.

On workers compensation staff recommends a reduction of \$101,000. Spending is well below the budgeted amount for the period. MWRA is continuing to improve safety performance records and to pursue an aggressive loss prevention strategy. The Authority can reduce the budgeted amount based on the reduction of outstanding filings, the reduction in the number of filled positions and the amount they already have in the Claims Reserve.

We have challenged the Authority, at Deer Island in particular, to set tighter targets for dosage rates for sodium hypochloride. At Deer Island the Authority is spending more than \$1 million less on maintenance this year for a variety of reasons. In the past if they think they need the maintenance money, this is the area where we want to demonstrate our support. But, there are two challenges. First they have increased costs to support the public access program such as increased cleaning and ground services, snow removal and street sweeping. They have also budgeted over \$100,000 for pier repair simply to support public access by boat. They should reassess planned levels of cleaning and ground services and level fund snow removal and sweeping budgets at the budgeted amounts for FY01. Reduce by \$140,000.

At Deer Island, the Reliability Centered Maintenance Program that they are embarking on, together with cross-functional training, will permit greater efficiencies in maintenance tasks. We are also seeing declining craft hours below the budgeted amount this year. All of those contribute to a revisit of the anticipated number for work assignments and maintenance tasks. Recommend they reduce the budgeted amount for maintenance spending by \$350,000. More than half of all operations producing maintenance spending is at Deer Island and of a

proposed \$7.4 million for maintenance, we are taking out \$320,000, leaving over \$7 million for maintenance activity at Deer Island.

Under professional services we are challenging the budgeted amount for Harbor monitoring. They have always been unable to spend the amounts that they request. We are challenging them to be sure that they have identified the amount of funds that they need and can spend and to tighten the scope for the next contract. They are budgeting \$3.5 million for outfall monitoring and reporting next year. We believe that some of how they identify what they need to do needs to be tightened and revisited. The research budget can grow to any dimension, and we are trying to make sure that how they define what they need to do is kept as tight as possible. The Authority is principal research arm for the entire Massachusetts Bay and at some point the Authority needs to demonstrate more clearly that what they have asked for is strictly their responsibility and not somebody else's.

The Mitigation Budget is nearly \$1.4 million. The Winthrop payment represents the recent renegotiations of the Authority's agreement and is a firm number at \$696,000. Quincy is budgeted at the same level and represents an estimate, which covers mitigation for the operation of the Interim Residuals Facility. Only now that they have finished the expansion of the permanent facility. The Authority's budget says that the outcome is still ongoing discussions with Quincy and is very uncertain. There is a lot of risk in the way the Authority has put the budget together, that number could rise.

We recommended reductions of over \$2.5 million in capital financing, primarily in two categories. Reshaping the budgeted amounts for planned new borrowing. Authority is going to do a new borrowing in the spring, whenever the debt cap is raised, and another borrowing in the fall. Both in the area of \$175-\$180 million. Since the proposed budget was put together, the Authority has changed its borrowing plans. They were going to do a senior borrowing this spring and a variable in the fall, now are going to do it the other way around because of the timing about issuing the bonds there will be a delay in the debt cap. Interest rates are changing dramatically, so we have factored in a reduction in their assumed interest rates, as well as a change in the timing of the nature of both borrowings. Those changes yield a \$2.2 million reduction.

We believe the Authority should be using a bit more rate stabilization funds than they have proposed and recommend an increased use of these funds of \$1.5 million to bring the overall rate increase to a point that is not greater than 3.5%.

Our recommendations also reflect perspectives on the multi-year picture and where we believe that modifications to the ten-year planning projections will be made. Many of the action plan ideas should contribute to a future that will require lower rate revenue than is pictured today. We also believe that options for restructuring and refinancing existing debt will play an important part in future rate revenue needs that will be measurably lower than today.

A Motion was made **TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO MWRA'S PROPOSED FY02 CURRENT EXPENSE BUDGET.** It was seconded and passed by unanimous vote.

❖ **UPDATE: CAPITAL IMPROVEMENT PROGRAM**

Will debate budgets May 15th. Watch variance on surplus. As spending continues \$330 million as compared to \$460 million as compared to \$500 million cap. For 01 look reasonable. Authority is assessing pace of spending for this year. Meetings scheduled with staff for next three weeks.

Operations Committee - Andy DeSantis

❖ **UPDATE**

Steve Estes-Smargiassi of the MWRA offered a reminder that the Consumer Confidence Report (CCR) will be sent to all water customers by the end of June. Those communities that wish to include an insert with the CCR should make a thorough, but quick, review of the insert to ensure its accuracy.

The CCR will be sent to officials and Boards of Health in advance so that these agencies will be prepared to answer consumer questions. Some communities have added a line to their bills to alert consumers to watch for the CCR.

Walter Woods asked if there were any adverse “surprises” in the CCR. Mr. Estes-Smargiassi stated that individual community inserts may have less than stellar news, including three communities that had TCR problems, but overall the news is good.

Al Renzi of Framingham thanked MWRA staff for putting the CCR out, saving communities the time and effort of issuing their own reports.

❖ **PREVIEW OF UPCOMING OPERATIONS COMMITTEE MEETING**

Mr. Favaloro stated that the Operations Committee is probably the single largest area that impacts the MWRA’s actions and every community. Reading and Stoughton will go before the Operations Committee as part of the process to join the MWRA.

Items that go into potential permits are discussed at the Operations Committee meeting. Mr. Favaloro suggested that communities participate in these discussions rather than be surprised by regulations. The first opportunity to discuss these items comes at the Operations Committee. Attendance at the last few Operations Committee meetings has not been significant. If you want to be informed, the way to participate and alter and change what is going on to benefit the communities, the MWRA is by working cooperatively with us.

The next Operations Committee meeting is scheduled for May 8th in Newton. It is important to get involved.

When the System Expansion Policy was created, it was stated that the Committee would revisit the policy in five years to allow an opportunity to review the policy. Five years will be up in December. Starting in September would like to reconvene the same people and solicit others that want to get involved. Critical meeting that can alter and change the whole view with how MWRA deals with expansion. Participation in this meeting would be vital.

Al Renzi I go attention at that meeting partnering with MWRA to come up with a solution. We have limited solicit for way to pay variance. We tried to be friendly and thought everyone would be working to come cc.. It happened here, can happen to you. I/I in Framingham will be coming to Wellesley and Needham this summer. Urge you all to pay attention.

QUESTIONS AND COMMENTS

No questions or comments.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:47 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary