

MWRA ADVISORY BOARD MEETING
APRIL 22, 2004
STATE HOUSE
ROOM 350, BOSTON, MA
MINUTES APPROVED AT THE MAY 20, 2004 MEETING

Thirty-three members were present: John Sanchez, ARLINGTON; E. A. Maguire, ASHLAND; Peter W. Churchill, BEDFORD; Peter Castanino, BELMONT; Charles Barry, BROOKLINE; Thomas Hayes, BURLINGTON; Timothy MacDonald, CAMBRIDGE; Ed Sullivan, CANTON; Andrew DeSantis, CHELSEA; Jon Norton, EVERETT; Peter Sellers, FRAMINGHAM; J. R. Greene, GUBERNATORIAL APPOINTEE; Bill Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Doran Crouse, MARLBOROUGH; Ed Bates, MAPC; Bernie Cooper, NORWOOD; Don Ouellette, MEDFORD; John Shena, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Peter Smyrnios, PEABODY; Jay Fink, QUINCY; Ted McIntire, READING; Benjamin DeChristoforo, REVERE; Barbara Stevens, SOMERVILLE; Lawrence Barrett, STOUGHTON; Rick Stinson, WAKEFIELD; Ralph Pecora, WALTHAM; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Michael Woods, WILMINGTON.

Also present: John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; James Moran, CANTON; Thomas Holder, FRAMINGHAM; Dennis Meehan, LEXINGTON; Ana Singleton, STOUGHTON; Mike Martello, WAKEFIELD; Rob Antico, WILMINGTON; Robert N. Stavins and Judd Jaffe, ANALYSIS GROUP, INC.; Nicole Filippini, Aide to Representative Kathi-Anne Reinstein; Brendan Chisholm, Aide to Representative Timothy Toomey; Ed Bretschneider, WAC; Matt Boger, UCANE; Michael Hornbrook, Ralph Wallace, John Vetere, Pamela Heidell, Carl Erickson and Charlene Rideout, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Tracy Wadsworth and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:50 a.m.

B. APPROVAL OF THE MINUTES FROM FEBRUARY 26, 2004

A Motion was made **TO APPROVE THE MINUTES FROM THE FEBRUARY 26, 2004 ADVISORY BOARD MEETING**. It was seconded and passed by unanimous vote.

C. REPORT ON POWER OUTAGES AT DEER ISLAND – John Vetere, Director - Deer Island Wastewater Treatment Plant [*NOTE: This presentation was added to the agenda.*]

John Vetere, Director of the Deer Island Wastewater Treatment Plant, spoke about two separate power outages at Deer Island. The first outage took place on April 3 when MWRA experienced a loss of the NStar sub-station on Deer Island. Water leaked through NStar's roof onto a control panel that automatically tripped one of the breakers. On Deer Island there are two buses that power the facility. Each of the buses is equally distributed to all the main units of operation: pumping, treatment, secondary and so forth. When the B bus failed, anything powered by it circuited out, while the A bus stayed on.

Operations personnel went to the main switchgear building and closed the breaker to connect the A bus to the B bus through the thermal power plant. Pumping operations at that time were over 900 million gallons of flow. The capacity of the plant is about 1.2 billion gallons. Everything was equally split on the

bus, so the South Main Pump Station, which services the south shore, stayed online but at a reduced capacity.

The problem experienced that day was with the North Main Pump Station, which lost all power. During that timeframe, it was imperative that staff identify why the pumps would not start. There are a number of controls, called permissives, within the DIWTP that allow the pumps to start. If the pump variable frequency drive (VFD) does not get those permissives, the pump will not start. MWRA has an elaborate alarm system that was pointing to the lube oil system and the hydraulic gates. Staff dispatched personnel to look at those locations, but was not making any progress. An operator who has worked for MWRA for many years noticed a board was completely off that is normally on. It turned out that board is the force main permissive board and controls permissives that go to the pumps. Without those permissives, the pumps would not start, which was a hidden point of failure. Normally, all the permissives go to the VFDs and control the pump start up. This permissive was on a separate system that failed during the power outage.

The permissive board is protected by an uninterrupted power supply (UPS) that failed in two locations, the battery back up and the automatic switch when power is restored. Once the problem was diagnosed, staff was able to bypass the UPS and get pumping operations back at North Main. Power was restored within two and one-half hours.

The second incident was a bit more disturbing. On Easter Sunday evening, there was an under-voltage fault within the K Street substation in South Boston, from which DIWTP gets all of its power. The substation automatically sent a signal that there was an under-voltage so all systems would trip open (shut off) so the equipment would not be damaged. This left Deer Island in total darkness. The system operated as it was supposed to.

MWRA's protocol immediately calls for the STGs (back up power) to start up. An operator has to initiate that start, which he did and the generator started. To switch on to the switchgear there is a huge circuit breaker that must be opened, but without any electrical power, it could not be done. MWRA has DC power (battery back up) that is supposed to go online and convert DC power to AC power to allow that breaker to open. With that breaker open, it should go back onto the CTGs. The DC system failed.

Deer Island was without NStar power for over two hours. NStar dispatched personnel to Deer Island and reset those breakers, which allowed MWRA to power the B bus from utility power. Half the plant was running on utilities and half the plant on CTGs until staff slowly brought the system back up again.

As staff was synchronizing the generator to the utility, the generator was lost, apparently starved of fuel, which exposed another hidden fault within the system. The fault was in the Process Information Control System that was automatically supposed to open to deliver fuel to the CTGs. Without the fuel, it went offline. Luckily, NStar power was back online and staff was able to go back onto NStar utility. Within twenty minutes staff had total power back to Deer Island. Under normal conditions, it should have taken less than one hour to get onto back up power. It took two and one-half hours because of those failures.

People ask if the Authority had a test protocol whereby staff would disconnect from NStar and go through a 'dead start'. Staff had never wanted to disconnect Deer Island from NStar for fear that something could happen and MWRA would not be able to start the plant. It had been done on paper and should have been resolved in one hour. Executing the drill on paper helped because staff knew where the breakers were and what needed to be started.

With all those power interruptions, staff was instructed by Messrs. Laskey and Hornbrook to review the UPS systems to see if the proper test protocols are being used. Staff found that the UPS system is tested, but it was being tested without a load on them. An impedance tester is now in place to simulate a

load for those batteries and MWRA is now in the process of testing the 25 UPS systems on Deer Island to ensure they are working properly.

Prior to this incident, MWRA was already in the process of replacing the UPSs. A new test procedure has been included to ensure the UPS and DC power systems are ready for operation. MWRA has also hired electrical engineer consultants to evaluate the system. The consultants have been working at Deer Island since two days after this incident and have given an initial report, a three-day report and they are ready for a 15-day report.

The three-day report came with a number of recommendations, which included a backup generator to the DC power while MWRA is waiting for the batteries and chargers to be repaired. That has been completed. MWRA has also tested its black start capabilities on a portion of the bus that could be isolated to simulate a black start. This appears to be working. The control system works and staff is waiting for the batteries to be replaced. It takes three to six weeks for these batteries to be manufactured. Upon delivery, they will be installed.

There are a number of protocols being reviewed. The process to bring the plant back up within one hour was the best staff could do on paper. The designer of the system said we should be able to do it within thirty minutes. The fault was so great that it sent a number of faults through all the other substations on Deer Island and shut those off requiring all the breakers to be reset to bring the pump stations on line. Staff synchronized this protocol in the following order: the South Main, North Main, the Winthrop facility (pumping facilities) and disinfection.

In addition to the consultant engineers and testing protocols, staff has written a strong letter to NStar informing them that roof conditions in the substation are unacceptable and must be repaired. Additionally, staff has demanded NStar deliver their incident report along with details on how this can be prevented in the future.

NStar cannot automatically reset breakers on one of the systems on Deer Island and must dispatch personnel. There is some discussion to make that automatic because it took NStar two hours to get to Deer Island. If it could have been done automatically, MWRA would have had power back on within 15 minutes. MWRA is working with NStar to see if that is a prudent thing to do. There is concern if this process were automatic that NStar could actually open into a fault and create a catastrophe. This could do severe damage to their switchgear and control panel and Deer Island's electrical distribution system.

D. PRESENTATION: ASSESSMENT OF THE ECONOMIC IMPACT OF ADDITIONAL INVESTMENT IN CSO CONTROLS ON MWRA AREA HOUSEHOLDS AND COMMUNITIES (AFFORDABILITY STUDY) – Dr. Robert N. Stavins, Analysis Group Inc.

Ralph Wallace, Director of the MWRA CSO Control Program, introduced Dr. Robert N. Stavins, Albert Pratt Professor of Business & Government at the Kennedy School of Government at Harvard University, and Judson Jaffe, Manager/Economic Analyst with the Analysis Group, Inc.

Mr. Wallace said, in its simplest terms the goal of the EPA Combined Sewer Overflow (CSO) Control Policy is to eliminate CSO discharges. When a plan is proposed that does not result in the complete elimination of CSO discharges, it must be demonstrated that it is either technically or economically unfeasible to do so. In general, the only way to demonstrate why you cannot proceed to elimination is to show the cost of elimination would be so great as to result in substantial and wide spread economic and social impact, which is a term used in the EPA guidance.

EPA uses a specific test called the Preliminary Municipal Screener that compares the median household income of a community to sewer charges to determine whether or not there is a significant impact. There

are clearly defined guidelines to determine the impact. If a sewer charge is between 1% and 2% of the median household income for a community, EPA determines that to be a mid-range impact.

There are a series of other tests that might show significant or wide spread impact, but the real turning point is if the charges exceed 2% of the median household income, which, based on EPA's standard application, would be a large impact. A large impact is when the rates are sufficiently high that people have to make trade offs between paying their sewer rates versus the consumption of other goods and services.

The Authority is examining CSO investments in a number of receiving waters (South Boston, Alewife Brook, Charles River and East Boston) and has submitted several documents to EPA and DEP on Alewife Brook and Charles River that go through the standard economic impact analysis as required by EPA CSO guidelines. Those documents in the conventional application of this analysis do not indicate or reveal significant economic impact as defined by EPA. Therefore, EPA is arguing the MWRA should invest more money in CSO controls above the amount already included in the budget and reflected in the plan in order to further reduce CSO discharges. EPA believes that MWRA has the economic capacity to make these investments.

This analysis will often make reference to two MWRA sewer communities, Boston and Chelsea. Boston is the largest community. Chelsea is the community that has the lowest per capita household income amongst sewer communities and is also referenced in previous findings by EPA in reviewing MWRA's CSO controls. To put this into perspective, Analysis Group, Inc. is estimating the median household income in Chelsea in 2003 was a little under \$36,000 and 2% of \$36,000 is \$720. EPA is saying that until the rates in Chelsea get up to \$720, then you probably have additional capacity to pay.

Based on the Advisory Board's 2003 rate survey, the estimated average sewer charge in Chelsea (assuming 90,000 gallons per year consumption) is about \$609, which means by EPA guidance there is \$110 of room left in Chelsea's rates to support additional investment in CSOs, or another 15% increase in their rates. If the sewer charges for Chelsea and every other community were increased by \$110 per year to support additional capital investment, based on current cost of borrowings, that could support CSO control investments in the area of \$1.6 billion. EPA has not said they want MWRA to invest \$1.6 billion, but they have thrown out numbers like \$300, \$400 or \$500 million on top of the \$700 million for the cost of the existing plan that MWRA staff recommends.

EPA guidelines do allow CSO communities to present alternative analyses other than the standard application of its guidelines if local circumstances warrant. The Advisory Board has long argued the economic conditions in Boston are sufficiently different than in other places in the United States and that alternative analysis is warranted. MWRA staff agree and have retained Dr. Stavins and the Analysis Group, Inc. to provide the MWRA with an alternative review to defend what MWRA believes is a plausible CSO Control Plan and a reasonable level of investment in CSO control and defend the MWRA against demands that it spend hundreds of millions of dollars for additional CSO Control when the benefits are not clear.

Dr. Robert Stavins stated EPA's economic impact analysis focuses on the burdens from sewer charges by comparing those charges to median household incomes. Along with sewer charges there are costs of shelter, housing and basic necessities of life that result in economic burdens. That is what determines the real economic impact of CSO controls. EPA's 2% threshold for sewer charges implicitly carries with it some other thresholds for expenditures of basic necessities as a share of median household income as a whole. Looking at the cost of basic necessities of life as a percentage of median household income is the way to compare across different communities, such as Boston, compared to other communities across the country and how it has changed over time in this community. This analysis evaluates whether unusually heavier burdens from the cost of living in the MWRA service area are consistent with those that are typically associated with EPA's 2% threshold and what they consider an unacceptably large

economic impact. In particular, the analysis to be presented focuses on the burdens from the cost of shelter.

It is appropriate to consider shelter costs for a number of reasons. First, the cost of living in the MWRA service area is significantly higher than typical levels nation wide and has increased substantially since 1997, which is when EPA carried out the analysis that led to their earlier decision. The cost of shelter is the largest single component of the cost of living and is also the part of the cost of living that has varied over time and across communities in the country. Sewer charges directly affect shelter costs and in fact are virtually indistinguishable from other parts of shelter costs for households that rent their homes since, typically, those households are not metered and the charges for water and sewer are imputed into their rents.

To evaluate more accurately the economic impact of further investments in CSO control, the analysis first defines a standardized shelter cost burden, which is equal to the cost of shelter, expressed as a percentage of median household income. Then, the shelter cost burden in the MWRA service area is compared to that in a sample of 80 other metropolitan areas across the United States. In that way the Analysis Group can evaluate whether the economic burden from the cost of shelter in the service area exceeds what would exist in those other metropolitan areas if sewer charges reached EPA's 2% threshold for a large economic impact.

The Analysis Group found that in 1997, the shelter cost burden for the entire service area was higher than that which would have been associated with meeting the 2% screener threshold in nearly 75% of the 80 metropolitan areas nation wide. More striking, by the year 2003, the shelter cost burden in the service area exceeded the burden that would be found in 90% of those 80 metropolitan areas. In other words, economic burdens from shelter costs in the service area already exceed the burden that would be associated with this 2% screener value in almost any other metropolitan area.

In 1997, shelter cost of a median household income was about 22% and 75% of the 80 other communities in the country had lower earnings measured in percentage terms. By 2003, the MWRA burden surpassed 90% of the other communities. Things are getting proportionately worse in the MWRA service area over time.

EPA's 1998 analysis of the economic impact of additional CSO controls focused on conditions in Boston and Chelsea. If the Analysis Group looked exclusively at Boston and Chelsea instead of the MWRA service area as a whole, the shelter cost burdens in Boston and Chelsea are even greater than those in the service area as a whole, thereby bolstering the arguments. Shelter costs in Boston grew from 25% of median household income in 1997 to about 33% in 2003. Likewise, in Chelsea, it grew from about 28% in 1997 to about 34% in 2003. The burden was already severe by economic standards and it has worsened over time.

To conclude, although average sewer charges in the service area as a percentage of median household income have not exceeded EPA's 2% threshold for a large impact, the broader economic burdens in Boston, Chelsea and the MWRA service area as a whole are well above those that would exist in the vast majority of the other 80 metropolitan areas if they were to reach the 2% threshold. Furthermore, those burdens have grown dramatically since EPA's findings.

To determine whether or not the CSO control ultimately makes sense as a public investment, looking at the cost side alone cannot offer definitive guidance. Even if there was not a cost burden, Dr. Stavins stated that, as an economist, he would still question whether or not it made sense because he would want to know the potential benefits. A benefit cost analysis would be necessary in order to definitively assess the economic impacts. Without that analysis, EPA risks 'designing fast trains to the wrong stations.'

Don Ouellette asked if any other community has had success going through this process. Michael Hornbrook, MWRA Chief Operating Officer, responded that Washington DC took a different track and did an affordability analysis that indicated the lower end of their ratepayers would have an undue hardship because of their median household income. EPA's response to that was to charge the higher income people more money to pay for the lower income households. Dr. Stavins noted the argument the Affordability Study makes for a broader economic burden is a different argument. Mr. Hornbrook agreed saying it is a worthwhile argument with merit to win, however, EPA looks at things through a different lens than others.

Mr. Hornbrook stated it is not only an economic hardship, but it is the cost benefit that is important. MWRA can prove there is no additional benefit to spending additional money. The public is not going to swim or utilize these receiving waters one hour more if MWRA spends more money than what is currently proposed. Together, the two arguments of what you are getting for the money invested and the hardship it is creating are good arguments to seek relief from EPA on this issue.

John Carroll asked how the Authority is going to present these findings. Mr. Hornbrook stated MWRA has already submitted a document on Charles River. EPA requested the Authority investigate additional expenditures on the Charles and also on Alewife Brook. This document will be submitted as a supplement to those documents to support MWRA's position that no further expenditures beyond what is on the table should be made.

John Carroll asked if the B minus grade given to the MWRA in the Boston Globe yesterday is part of EPA's strategy to show the work has to be done. Mr. Hornbrook stated he spoke to EPA Regional Administrator Bob Varney yesterday to ask if that was EPA's agenda. Mr. Varney said EPA is now moving to the upstream communities to look at additional stormwater controls to duplicate some of the efforts that Boston and Cambridge have been doing in the lower basin. The B- resulted from a wet year with more wet weather impacts. He specifically said to the media that the level of effort by participants (MWRA, Boston, Cambridge and others) to date was an A effort.

Mr. Hornbrook stated the Advisory Board and the communities must play an important role going forward by showing their support and pressuring EPA and DEP to allow the appropriate level of CSO control and not simply spend another \$300 to \$500 million more simply for the sake of spending it. It does not yield a benefit and it is not affordable for ratepayers. It will be a combined effort of Authority staff on the technical side and the Advisory Board working with EPA and DEP to help support that position.

Ed Bretschneider stated median household income is a number most people could agree on. Is the term "shelter cost" easily understandable? Is there the same type of agreement on how it is defined? Dr. Stavins responded that median household income has a precise definition. For shelter cost one could get into a discussion about whether or not telephone service is included. There is not the same degree of precision. Analysis Group, Inc. took a logical, internally consistent and economically defensible approach that does not bias the analysis in any way to define that. Dr. Stavins does not think it will be a point of contention with EPA.

Judson Jaffe stated there are two factors that help to support our analysis in the definition of shelter cost. The first is the data source, which is the Housing and Urban Development (HUD) Fair Market Range. HUD generates the most common and familiar statistics on shelter costs that cover every metropolitan area in the country. These statistics are used in a variety of government programs; therefore, there is authority behind these numbers.

Secondly, there is a history of these numbers being used in measuring economic hardship. A 1996 national panel, tasked with revising poverty statistics, recommended, as one of the few adjustments per geographic variation in the cost of living, adopting a method very similar to one that the Analysis Group,

Inc. has used to account for variance in shelter costs so that poverty statistics in Boston reflect the higher cost of living relative to poverty statistics in the Midwest.

Mr. Favaloro stated the Advisory Board has been calling for an Affordability Study for many years and is pleased the study will provide another layer of information in the quest to manage and control spending. He then asked Mr. Hornbrook, after seeing the impacts and hardships of where the Authority's communities lay in relationship to the other 80 metropolitan areas, how is this going to guide the MWRA in overall capital spending? Mr. Hornbrook responded on the overall capital program, MWRA has the CSO Control Programs and other state and federal mandated programs such as the Integrated Water Supply Improvement Program, as well as daily and routine capital investments such as basic interceptor and water pipeline replacement and rehabilitation.

As the Authority moves forward, the Affordability Study can be used in two ways: 1) In discussions with EPA on the three major decisions that are still out there, i.e. the Charles River, Alewife Brook and East Boston. Those three projects totaled represent anywhere between \$300 to \$500 million more in capital investments. 2) The Affordability Study gives the MWRA an avenue to look at the pace of spending on those three projects. Even if the Authority is required to move forward with a lower level of CSO control, is it in the next five, ten or 15 years? The Authority would like to take a look at those future expenditures and timing as it relates to other capital investments to see how long or when those projects should begin in relationship to other capital projects that must be done, some of which are not mandated such as typical water line rehabilitation.

E. COMMITTEE REPORTS

Executive Committee – Katherine Haynes Dunphy

❖ **ACTION ITEM: NOMINATION AND ELECTION TO THE MWRA BOARD OF DIRECTORS**

Joe Foti expressed his appreciation to members for attending and providing a quorum. He stated, "It has been a privilege for me to serve as the Advisory Board's representative on the MWRA Board of Directors and a pleasure to work with John Carroll, Andrew Pappastergion and the Advisory Board staff. Given the opportunity I would like to serve for another three years."

Ed Sullivan stated the Advisory Board has heard from one candidate, Joe Foti, who is seeking reelection. Mr. Sullivan asked if there were any additional nominations from the floor. Hearing none, Mr. Sullivan accepted a Motion **TO CLOSE NOMINATIONS FROM THE FLOOR**. It was seconded and passed by unanimous vote.

A Motion was made **TO NOMINATE JOSEPH C. FOTI TO THE FULL ADVISORY BOARD TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2004 TO JUNE 30, 2007**. It was seconded and passed by unanimous vote.

❖ **ACTION ITEM: WILMINGTON'S REQUEST FOR A SIX-MONTH EMERGENCY WATER CONNECTION THROUGH WOBURN**

Mr. Favaloro reported the Town of Wilmington is making its second request for a six-month emergency water connection through the City of Woburn beginning in May. The Advisory Board has received a recommendation from the Executive Committee, a letter from the Mayor of Woburn and a letter from DEP stating that Wilmington is under a declaration. Wilmington is seeking approval from the MWRA Board of Directors at its mid-May meeting, but must have Advisory Board approval first. Wilmington will pay a premium for the water based on the new expansion policy's pricing structure that raises the price each time there is a request for emergency water.

Earl Forman asked if the Olin Corporation has a plan to eventually eliminate the contaminants that are in the offending plume. Michael Woods stated Olin Corporation has told Wilmington that experimental work is being done on methods to remove these hazardous materials. Olin is working with state-of-the-art

technology to remove the worst of it; however, it is expected to take 60 to 70 years to get to a point where it is not hazardous.

A Motion was made **TO ALLOW THE TOWN OF WILMINGTON (WILMINGTON) TO ACTIVATE A CONNECTION TO THE MWRA WATERWORKS SYSTEM, VIA THE CITY OF WOBURN (WOBURN), FOR A SIX-MONTH PERIOD WITH A START DATE IN MAY 2004. THE CONNECTION IS SUBJECT TO THE DEVELOPMENT OF AN INTER-MUNICIPAL AGREEMENT BETWEEN WILMINGTON AND WOBURN THAT ADDRESSES ISSUES OF ASSESSMENT AND CHARGES PRIOR TO CONSIDERATION BY THE MWRA BOARD OF DIRECTORS. ADVISORY BOARD APPROVAL IS CONTINGENT UPON RECEIPT OF A LETTER FROM WOBURN INDICATING THEIR SUPPORT OF THE INTER-MUNICIPAL AGREEMENT WITH WILMINGTON. AVERAGE DAILY DEMAND SHALL NOT EXCEED 1 MILLION GALLONS PER DAY. WILMINGTON WILL ABIDE BY THE RULES STIPULATED UNDER MWRA EMERGENCY WATER SUPPLY WITHDRAWALS (POLICY #OP.05), INCLUDING PAYMENT OF 110% SURCHARGE OF THE MWRA'S PREVAILING RATE PLUS 110% OF 1/3 OF THE ANNUAL PAYMENT ASSOCIATED WITH THE ASSET VALUE CONTRIBUTION PAYMENT (ENTRANCE FEE EQUIVALENT) AMORTIZED WITH INTEREST OVER 15 YEARS. RULES GOVERNING PREMIUM CHARGES AND ASSET VALUE CONTRIBUTION ARE INVOKED WHEN WATER IS TRANSFERRED FROM THE MWRA TO WILMINGTON.** It was seconded and passed by unanimous vote.

❖ **LEGISLATIVE UPDATE**

Mr. Favaloro stated the FY05 House Budget includes \$5 million for the Debt Service Assistance program, which the Governor discontinued in his House 1 version of the budget. Further, the House allocated the same amount of money for the DCR Watershed Management Division as the Governor's Budget, but also set aside \$500,000 for the operation of the Clinton Wastewater Treatment Plant. The FY05 watershed budget should include an additional \$700,000 for its operations than it received in FY04.

The MWRA Board of Directors has approved the Memorandum of Understanding (MOU) between MWRA and DCR in regard to operating the Watershed Division. The Advisory Board has moved away from supporting the direct transfer of the division into the MWRA and is instead focusing on moving it off budget to a Trust.

The Trust is picking up significant momentum and is being championed by Senator Stephen Brewer. The Trust would move the watershed operations out of the General Fund of the Commonwealth of Massachusetts and away from the harm of hiring freezes and other implications the Advisory Board has been talking about for many years. Staff is hopeful it will be part of the Senate Budget. It will then have to survive Conference Committee.

Tracy Wadsworth of the Advisory Board staff has gone through the House Ways & Means Budget, as well as over 1,200 proposed amendments. Staff will track a few to guard against any impacts next week, when the House debates the Budget. Staff has begun discussions on the Senate Budget to try to increase the \$5 million for the debt service assistance line item. At this time it looks like there will be money for debt service assistance in the Budget that gets to the Governor's desk, which should be no lower than \$5 million. The real issue is whether the Governor vetoes it, which he most likely will, and if there will be enough time before the legislature goes out for summer break to override the veto. Staff will work diligently for its passing.

Finance Committee – Bernie Cooper

❖ **STATUS: CEB REVIEW PROCESS/CAPITAL IMPROVEMENT PROGRAM UPDATE**

Cornelia Potter stated staff is about half way through its review period of the Current Expense Budget (CEB) and beginning to draft its recommendations, to be mailed three weeks from tomorrow.

The Authority's FY05 budget is \$524 million before offsets and is nearly two and one-half times all capital spending for next year. With debt service, the CEB has become considerably larger than the capital budget. Debt service alone next year is nearly half again as much as all capital spending, \$311 million compared to \$211 million.

Projections show rate revenue can be expected to grow by another \$100 million in the three years after FY05 and in the two years after that by nearly another \$100 million. Put another way, within five years of FY05, rate revenue will increase according to current projections by nearly \$200 million. The primary reason for this growth is increases in the debt service line, partly because of new borrowings. Additionally, after all the years the Authority has restructured and refunded debt to ease the burden of debt service in the initial years of the capital program, at some point that is going to catch up, particularly in 2010 when rates are expected to rise by more than \$53 million in that year alone; that is more than two and one-half times this year's increase of \$21 million. The absence of debt service assistance really has changed the picture in terms of the dollars that have to be raised from communities.

Operations Committee – Jay Fink

❖ **STATUS: WASTEWATER METER REPLACEMENT PROJECT**

Mr. Hornbrook stated the Authority began replacing rate revenue meters in the wastewater system on March 29th. Thus far, ten meters are in the field in Canton, Norwood, Stoughton, Walpole and Westwood (the new Neponset Valley System). MWRA has not accepted these meters yet because staff are still trying to resolve some issues regarding data processing from the meter to the TELOG system and from the TELOG system back to MWRA.

MWRA staff has heard from the Advisory Board that the Authority needs to do a better job on communicating with the cities and towns as to when it will be going into their communities to do these installations. A sequence of meter installations will be provided to the communities.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:02 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary