

**MWRA ADVISORY BOARD MEETING
JUNE 16, 2005
STATE HOUSE
ROOM 350, BOSTON, MA
MINUTES APPROVED AT THE SEPTEMBER 15, 2005 MEETING**

Thirty-seven people were in attendance, including seventeen voting members: John Sanchez, ARLINGTON; John Sullivan, BOSTON; Ed Sullivan, CANTON; Andrew DeSantis, CHELSEA; Jon Norton, EVERETT; J. R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; Jay Fink, LYNN; Dana Snow, MARBLEHEAD; Doran Crouse, MARLBOROUGH; Katherine Haynes Dunphy, MILTON; Bernie Cooper, NORWOOD; Joseph Delaney, READING; Michael Martello, WAKEFIELD; Walter Woods, WELLESLEY; Earl Forman, WESTON; Bob Angelo, WESTWOOD.

Also present: John Carroll and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Robert Lewis, NEEDHAM; Representative Ron Mariano; Representative James Miceli; Blair Brown, Representative Alice Wolf's Office; Matt Boger, UCANE; Fred Laskey, Michael Hornbrook, Ria Convery, Marcis Kempe, Carl Erickson, Leo Norton, Michael Ralph and Tracy Wadsworth, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Andrea Briggs and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME – REPRESENTATIVE RON MARIANO, CHAIRMAN OF THE MWRA LEGISLATIVE CAUCUS

Chairman Katherine Haynes Dunphy called the meeting to order at 11:55 a.m. Chairman Dunphy offered a moment of silence in memory of Tony Fletcher, who was on the Advisory Board and the MWRA Board of Directors, serving with John Carroll and Charles Lyons. He was a long time Director of Public Works in Reading and was known and loved by many through his affiliations with New England Waterworks and American Waterworks.

Representative Ronald Mariano, Chairman of the MWRA Legislative Caucus, welcomed members to the State House.

B. APPROVAL OF THE MINUTES FROM APRIL 28, 2005

A Motion was made **TO APPROVE THE MINUTES FROM THE APRIL 28, 2005 ADVISORY BOARD MEETING**. It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated in August, staff will be soliciting members to serve on the Executive Committee, the governing body of the Advisory Board.

Staff will be sending out its annual Water & Sewer Retail Rate Survey for the 2005 edition; this is the Advisory Board's most well received and requested publication.

The Advisory Board's annual field trip has been rescheduled from August 25 to August 18 to incorporate the ceremonies that will officially dedicate and open the John J. Carroll Water Treatment Plant and allow members to see the functioning plant.

Last week the Water Resources Commission voted six to three to allow Reading to begin the process to join the MWRA water system to take water from May to October.

D. PRESENTATION: FACING THE CHALLENGES OF FY06 AND BEYOND – Fred Laskey, MWRA Executive Director

MWRA Executive Director Fred Laskey stated that the MWRA had a solid year in its operations and construction projects with major milestones that included completion of the Norumbega Covered Storage Tank. The tanks are important for environmental, public health and security reasons and also provide the pressure needed to absorb the daily peaks and valleys of the operation.

The ozone plant is 98% complete. Staff has been running a rigorous series of tests of the plant, which is scheduled to go online in mid July. Ozone will be used as the primary disinfectant and MWRA will be able to greatly reduce the amount of chlorine used, thereby lowering the amount of chlorine byproducts.

The Water Supply Protection Trust has thus far held three meetings. With the creation of the Trust, an obscure section of state law has caused the Trust to be assessed an A&F overhead rate/administrative fee of \$1.9 million for FY06 and \$1.4 million for FY05. The Advisory Board's representatives to the MWRA Board of Directors (John Carroll, Andrew Pappastergion and Joseph Foti) have fought hard to push back on this A&F fee, convincing the MWRA Board of Directors to deny funding for land acquisition as a leverage point to get the A&F fee repealed.

The only issue to be reported in the Consumer Confidence Report this year is lead. As a system, the MWRA is below the lead action level; however, there are a number of individual communities that are above the action level and are now required to do lead service replacements.

Construction of the Braintree-Weymouth Relief Facility continues. The new pump station is online and running well, pumping sludge to the pellet plant in Quincy from Deer Island. The Authority no longer barges the sludge. The last piece of the project is the Braintree-Weymouth Replacement Pump Station currently under construction.

The Deer Island Wastewater Treatment Plant received a "Silver Award" in 2004. The plant received one NPDES permit violation tied to a power failure, but otherwise the plant performed well. Additionally, the Clinton Wastewater Treatment Plant received the "Gold Award" and had no violations.

Mr. Laskey played a video of news reports featuring a 20' humpback whale that entered the revitalized Boston Harbor to feed. The news clip stated that marine life is returning to a healthier Boston Harbor.

The Authority spent a record amount of money on CSO projects this past year and across the board the program is going well. The Boston Water and Sewer Commission is managing two major sewer separation projects, South Dorchester and Stony Brook, both ahead of schedule. Additionally, an agreement was reached on how to proceed on the North Dorchester Bay project. Staff continues to push the regulators for a comprehensive CSO plan that all parties agree to and allows a long-term variance so MWRA can provide certainty to its member communities and ratepayers.

Tentative agreements have been reached on East Boston, Alewife, Fort Point Channel, Reserved Channel and North Dorchester. The last piece is the Charles River; staff is working to develop several initiatives on the Charles River that would continue to allow environmental clean up without breaking the bank.

The Financial Assistance Programs continue to work well for both water and wastewater. The Advisory Board continues to push to keep and adequately fund these vital Programs.

Property management has been a priority for the MWRA. Many of these properties have served their purpose, but now must be surplus. MWRA's main focus of late has been the Fore River Shipyard, which the MWRA would like to put back on the tax base to be productive for the City of Quincy. MWRA is systematically selling off land at the shipyard, having already sold components of the site to the MBTA and Cashman. The Authority expected more bids for parcels to be received today and has 130 acres remaining. In June, the MWRA will vacate its record center at the shipyard and will only have its pellet plant at the Fore River Shipyard.

Walter Woods noted that the MWRA should retain enough land around its pelletizing plant as a buffer zone. Rep. Mariano noted that technology at the pellet plant has allowed the plant to be a good neighbor and has become an asset to the community.

The Authority established an internal security working group after September 11 that has developed new security measures. MWRA received a federal grant to purchase and equip a site characterization emergency vehicle with a trailer to allow personnel to get into remote sites with its equipment.

State Auditor Joseph DeNucci and his staff scrutinized the Authority's efforts and news reports cited high marks in protecting the water against terror attacks. Auditor DeNucci noted that MWRA built very large storage facilities, added card access technology and monitors and an advanced Emergency Operations Center in Chelsea. MWRA received \$365,000 in federal funds and used its own money to make most of the improvements.

MWRA continues to hold the line on operating expenses; its FY05 budget in actual dollars was below its FY99 budget. Even though the FY06 budget is under tough pressure with fuel and chemical costs, MWRA will continue to hold the line on spending.

The Authority recovered substantial amounts of money this year from three major settlements with construction companies.

The use of technology in the MIS Department has allowed the Authority to keep staffing levels down. Automated gate systems and pump stations, computer security and use of identification badges to track who and where people are in the facilities are examples.

MWRA staff proposed to the Board of Directors that \$420 million be reduced from the Capital Improvement Program to get back on firm footing, along with \$26 million of projects to delay.

The Authority has agreed to 70% of the Advisory Board's recommended cuts. For the Advisory Board, the spending cap is a priority and MWRA staff has embraced that. Further, the Advisory Board has been urging the Authority to step up Master Planning and hold the line on the CSO Program.

On the operating side, MWRA embraced 90% of the reductions suggested by the Advisory Board. The end result was a projected rate increase of 4.7% recommended by staff. At the Board hearing, discussion evolved with Board Member Vincent Mannering recommending a 3.9% increase. Staff is working to get to 3.9% and hoping for Debt Service Assistance, which the legislative caucus is working to provide. Rep. Mariano stated House Ways and Means Chairman Robert DeLeo knows how important this issue is.

Mr. Favaloro noted an additional \$30 to \$40 million will be needed each year over the next several years. The rate revenue requirement goes from \$486 million to over \$700 million in just six short years. Mr. Laskey noted that the overriding challenge on the capital side is projects that have been mandated by the regulators.

The Advisory Board and the Board of Directors have been discussing the issue of system expansion. The Authority has water to sell. Reading, Wilmington, Dedham/Westwood and the naval station in Weymouth are all applicants or potential applicants.

Representative Miceli stated that Wilmington was sitting in the middle of a disaster, having lost five wells from a chemical spill. He thanked the Authority and the Advisory Board for all the help given to Wilmington in allowing the town to link to the MWRA water system.

E. COMMITTEE REPORTS

Executive Committee – Katherine Haynes Dunphy

❖ LEGISLATIVE UPDATE

Mr. Favaloro said between the House and Senate versions of the State Budget, MWRA will receive between \$10 and \$12 million for Debt Service Assistance (DSA); both of those numbers are higher than last year's DSA figure.

Historically, the MWRA has been charged an overhead fee for shared costs of employees who work for the Department of Conservation & Recreation (DCR) but also do work that has to do with the Division of Water Supply Protection (such as Human Resources). MWRA has always paid these shared costs in the past; however, staff believe that the amount billed should be justified by accounting for the level of service performed. Over the past two months, the amount billed has been reduced from nearly \$600,000 to \$380,000.

In addition to 100% of the overall costs of the Division of Water Supply Protection, the Secretary of Administration & Finance (A&F) has begun to charge an A&F Indirect Overhead fee. With the creation of the Water Supply Protection Trust, there was obscure language that

allows the Secretary to charge an administrative fee over and above actual costs, which is slightly under 24%. Both the Advisory Board and the Authority asked the Secretary for a waiver, which he has refused to issue. Staff has been working with both the House and the Senate to try to have this fee eliminated legislatively. It will be part of the Conference Committee discussion.

❖ **UPDATE: ADVISORY BOARD REVIEW OF FRINGE RATE ASSESSMENT**

The fringe rate is another layer of charges the MWRA pays for health insurance, retirement and long term disability for all the employees of the Division of Water Supply Protection. The Advisory Board and the MWRA have long questioned the percentage, currently 27%, of the line item. The Advisory Board believes MWRA should pay the actual costs.

With the support of the State Comptroller, the Advisory Board hired the auditing firm of Daniel Dennis & Company LLP to develop a better way of calculating the fringe rate assessment in hopes of eliminating any redundant costs.

Finance Committee – Bernard Cooper

❖ **STATUS: CIP/CEB BUDGET PROCESS**

Cornelia Potter stated a key outcome of the budget review is that the capital budget will remain within the cap of \$1.134 billion. The Authority has continued to modify and adjust the plan for the next three years of the five-year cap and the new total for FY04-08 period is \$984 million; when adjusted for the cap calculations, this brings total planned spending to \$1.027 billion, or slightly less than \$100 million below the original cap allowed for the Capital Improvement Program.

Significantly, the Authority had also anticipated that the fifth year of the five-year cap (FY08) would be more than the 20% plus or minus allowed by the cap formula. The Authority made an adjustment in its final budget of an additional \$14 million reduction to keep the numbers for FY08 within the conditions of the cap formula. Staff achieved this primarily by adjusting the schedule for the East Boston CSO project, still under negotiation.

For the Current Expense Budget, the Authority began with a budget of nearly \$550 million before offsets, which required a rate increase of 5.9%. In an unusual development, the Authority identified more expenses as the spring progressed, rather than opportunities for reductions. Most of these additional costs, which total \$10 million, are a result of external forces including health insurance, electricity, fuel, chemicals and rising interest rates. These increases brought the effective rate increase to 8%.

The Authority made modifications to this amount using \$3 million from the FY05 surplus to bring the rate increase down to 7.3%. Further, the Board of Directors chose to assume the receipt of Debt Service Assistance, along with other reductions resulting from the Advisory Board recommendations and modifications that the Authority had proposed. These actions brought the overall proposed rate increase to 3.9%.

❖ **UPDATE: LATEST PROJECTIONS FOR FY06 COMMUNITY WATER/SEWER ASSESSMENTS**

Mr. Favalaro noted that community assessments will be based on a 3.9% increase. Overall, on the wastewater side, there is a negative increase due to receipt of Debt Service Assistance, which is heavily skewed toward wastewater.

Operations Committee – Jay Fink

❖ **UPDATE: WASTEWATER METER REPLACEMENT PROGRAM**

Marcis Kempe, Deputy Director of Operations, stated in January the Authority completed the installation of new wastewater flow meters, which had reached the end of a ten-year life. Staff came across a number of issues and brought in troubleshooters to provide corrections to increase the quality of the metering. This process was completed at the end of March.

After a 30-day performance test on the collection of meter data, issues were noted and a correction process was undertaken, after which another 30-day performance test began. The Authority is nearing the close of that 30-day period.

Staff believes the program is reaching substantial completion, with just a punch list of corrections to be made to fully utilize the meters features.

On the basis of April and May, two communities had greater than a 15% increase, three communities had greater than a 10% increase and ten communities had greater than a 5% change. Most of the communities went down. Six communities had greater than a 15% negative change, ten communities are down 10% and 15 communities are down by 5%. Staff is now in the process of meeting with the communities that had the largest positive changes to provide the reasons for the change, such as previous devices in the field having issues and prior installation problems.

❖ **CSO HOLISTIC APPROACH**

Mr. Favalaro said staff of the Advisory Board, Andrew Pappastergion and Joseph Foti of the MWRA Board of Directors, Chairman Dunphy, MWRA Executive Director Fred Laskey and Chief Operating Officer Michael Hornbrook met with the Environmental Protection Agency Regional Administrator Robert Varney, his staff and staff from the Justice Department to discuss the Combined Sewer Overflow comprehensive (holistic) approach to bring closure to all basins. Mr. Varney committed there will be a holistic solution in play by the end of June.

In the event that the comprehensive approach does not materialize, the Advisory Board has been in negotiations with a law firm to represent the Advisory Board's interests in investigating the Authority's role in the CSO project, specifically relating to stormwater.

There will be no expenditure of Advisory Board monies without a vote to bring legal action.

F. QUESTIONS AND COMMENTS

G. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:20 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary