

**MWRA ADVISORY BOARD MEETING
MARCH 16, 2006
BRADLEY ESTATE
2468B WASHINGTON STREET, CANTON, MA
Minutes Approved at the May 18, 2006 Meeting**

Forty-eight people were in attendance, including twenty-five voting members: John Sanchez, ARLINGTON; Peter Castanino, BELMONT; John Sullivan, BOSTON; Charles Barry, BROOKLINE; Tim MacDonald, CAMBRIDGE; Andrew DeSantis, CHELSEA; Al Borgonzi, EVERETT; Peter Sellers, FRAMINGHAM; Barbara Wyatt, GUBERNATORIAL APPOINTEE; Ed Demko, HINGHAM; Dennis Meehan, LEXINGTON; Jay Fink, LYNN; Bruce Kenerson, LYNNFIELD; Ed Bates, MAPC; Katherine Haynes Dunphy, MILTON; John Cosgrove, NEEDHAM; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Robert Keating, READING; Sam MacDonald, REVERE; Mike Collins, WAKEFIELD; Walter Woods, WELLESLEY; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Michael Woods, WILMINGTON.

Also present: Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Avril Elkort, CANTON; Jon Norton, EVERETT; Charles McCarthy, David Colton and Walter Heller, MILTON; Nate Leskovic, MILTON TIMES; Brian Carlisle, QUINCY; Ed Bretschneider, WAC; Eileen Simonson, WSCAC; Fred Laskey, Michael Hornbrook, Fred Brandon, Pamela Heidell, Patricia Filippone, Rachel Madden and Dede Vittori, MWRA STAFF; Joe Favalaro, Cornelia Potter, Ryan Ferrara, Rachael Dane and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:50 a.m. and introduced Canton Selectwoman Avril Elkort who welcomed everyone to Canton. Ms. Elkort was joined by Milton Selectman Charles McCarthy in thanking members for their efforts on behalf of the communities.

B. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favalaro introduced the Advisory Board's new Government/Media Coordinator Rachael Dane, who recently joined the staff.

Mr. Favalaro reported that Andrew Pappastergion's three-year term as a member of the MWRA Board of Directors expires on June 30. The election is open to all who are interested in running. Mr. Pappastergion has expressed his interest in seeking another term. The deadline for candidates to submit a letter of intent is May 8, 2006. The Nominating Committee will interview and recommend a candidate at the May 12, 2006 Executive Committee Meeting. An election will be held at the May 18, 2006 Advisory Board meeting. All candidates will be allowed an opportunity to address the full Advisory Board.

The Advisory Board's Public Hearing on the MWRA's Proposed FY07 Current Expense Budget will be held just prior to the Advisory Board's regularly scheduled meeting in Lexington on April 27, 2006. The MWRA's Public Hearing is scheduled for April 4th at Boston City Hall at 6:30 p.m.

C. PRESENTATION: UNDERSTANDING THE BENEFITS OF THE BLUE HILLS COVERED STORAGE PROJECT – Fred Laskey, MWRA Executive Director

MWRA Executive Director Fred Laskey stated national and state guidelines recommend that water systems have at least one day's storage within their service area. MWRA's five-year average is about 230 million gallons per day (MGD). Staff's goal is to get to 300 MGD to cover one day's storage, including 29 million gallons of storage at the Blue Hills location. Currently the Authority has no storage for the southern part of its service area.

The lack of storage has become a problem for certain communities on the South Shore. The Blue Hills tanks are critical for Quincy, Milton and parts of Boston. The creation of the Blue Hills Covered Storage Tanks would stabilize water pressure and provide redundancy and backup, especially to the higher levels of Quincy where there are pressure problems. During periods of high demand, it is problematic to maintain adequate pressure to the hills in Quincy.

MWRA Chief Operating Officer Mike Hornbrook stated another local benefit of covered storage is it would allow the Authority the ability to rehabilitate and replace the current system. Quincy and Milton are supplied by a loop of piping. Two cast iron lines, the newest of which is over 100 years old, need to be replaced. Another line in the loop, Section 22, is a 50-year old, 40-inch steel line that has experienced a number of leaks. Currently, when Section 22 has a leak, the MWRA has six hours to locate the source and finish repairs before portions of Quincy and Milton run dry. MWRA does have a plan in its budget to replace these old lines but must bring one of these two lines off service to make the replacement. Storage is needed while the MWRA is on one line so it can continue to feed water to the city of Quincy and parts of Milton while these vital repairs are made.

Mr. Laskey noted, during one repair, the Fire Department was deployed with pumpers in the higher elevations of Quincy in case there was a problem bringing the system back on or if there was a problem fighting a fire during that timeframe; the pressure was not adequate.

The southern high pipeline serves Quincy and parts of Boston and Milton. The southern extra high pipeline, which is a higher pressure zone, serves Stoughton, Canton, Norwood, Dedham, Westwood, Milton and parts of Brookline. These pipelines are fed by the Dorchester Tunnel. If there were a failure at the Dorchester Tunnel to the southern high, there would be less than 20 PSI of pressure affecting the water delivery to 100,000 to 150,000 people in Quincy and Milton. Fire protection at most high elevations would be lost and most areas would face negative pressure in the system that could lead to cross contamination and air coming into the system.

If there were a failure of the Dorchester Tunnel to the Southern Extra High System, for which water is pumped to the pipeline, there would be some storage at Bellevue that could carry that pipeline for several hours, but eventually water would have to be pumped out of the Chestnut Hill Emergency Pump Station and the open reservoirs would need to be activated to supply non-potable water.

On an average daily demand basis, if the Blue Hills tank were in service during an emergency at the Dorchester Tunnel, MWRA could shut the tunnel down and activate the Blue Hills Emergency Pump Station. This would provide potable water and fire protection to 500,000 people served by the southern high and the southern extra high. On a peak demand day in the summer, MWRA would have some water restrictions if the tunnel were lost but could continue to provide potable, positive pressure throughout the system. There could be a slight pressure loss in higher elevations of Quincy, but potable water could still be provided with some restrictions. Therefore, the Blue Hills Covered Storage Project will provide a regional benefit, in addition to a local benefit.

Why the Blue Hills location? Mr. Laskey stated the Blue Hills location was chosen for the same reasons the reservoir was built there originally. It is the right elevation, it is the right impact; also, looking at other alternative locations within the Blue Hills Reservation, this is the least disruptive in and around the area because it already was a man-made reservoir. Further, it is at the end of the transmission line, which allows the MWRA to move forward with confidence that this is the preferred location.

The Blue Hills Reservoir was constructed in the 1950s to provide storage at the end of the system. In 1978 the Dorchester Tunnel came online changing the whole dynamic to the south. In 1981 the open storage reservoir was taken offline because of water quality issues, leaving the southern area with no storage at all.

MWRA has been accused of destroying pristine wetlands with these efforts; staff believes the Authority's track record has been very responsible as an environmental agency. Though there were wetlands in the area in the 1950s, a photo of construction of the reservoir shows Chickatawbut Road going down the middle of the reservoir. As it stands today, the drained reservoir still has a paved road running along the bottom. It is not open for public access.

As part of the process, MWRA asked the Department of Fish and Game (F&G) to do an inventory of the reservoir to determine if there was anything endangered or sensitive in the reservoir. F&G said the fish in the reservoir were common. MWRA offered to transport the fish to another location; however, F&G said that would be a bad idea in case the fish had infections. As part of the requirements in the regulatory process, MWRA hired an expert in amphibians to make sure that none would be lost. He caught one turtle that was native to Mississippi and was apparently a pet placed there. This is a man-made reservoir and MWRA believes the benefits of constructing the Covered Storage tanks there outweigh the minimal environmental impacts.

Mr. Laskey stated MWRA has worked for 3½ years to ensure this project was done correctly. A working group, made up of representatives of Quincy, Milton, Braintree, the Department of Conservation and Recreation, the Trailside Museum, Friends of the Blue Hills (FOB), WSCAC and the Advisory Board worked to come to an agreement on this project. In the negotiations with the working group there were a number of options. The cheapest and most efficient way for the MWRA was to simply install above ground tanks. There is at least one other above ground tank in the Blue Hills for the Town of Milton. During negotiations, MWRA agreed, at substantial cost, to build two tanks on one-half of the footprint of the current reservoir. The two tanks would be buried underground and a grass meadow, open to foot traffic, will be planted above the tanks. There will be no fences. A fishing pond will be constructed in the other half of the reservoir that will include a manmade peninsula and shelf that will improve the fishing. There will be pedestrian walkways coming around the pond. There will be appropriate plantings and other improvements to the area that will take a fenced in manmade reservoir and make it clearly something that the public can use and enjoy. The pond will be stocked with fish.

In 2003, when MWRA was ready to move on this project, it could have spent \$20.9 million to build the above ground tanks. The mitigation, as well as a delay of three years while the appeals have gone on, has increased the cost dramatically. MWRA strongly believes that it has done the right thing and that the ratepayers of the MWRA district are doing the right thing; however, there has to be a limit to the burden placed on the ratepayers. The crux of the FOB argument is they would like us to replace wetlands somewhere else. The Board of Directors has expressed its resolve that the MWRA has done enough; 30% of the project cost is dedicated to mitigation.

MWRA received a positive ruling from the DEP Commissioner that has caused some statewide ramifications because he stated that the idea that if wetlands are eliminated they must be replaced in their entirety somewhere else was not codified anywhere, in regulation or in law. The Commissioner overruled the administrative hearings officer. The Commissioner said there is a compelling need for this tank and that MWRA has done what is necessary to get the approval. The Friends of the Blue Hills sought an injunction in Superior Court. MWRA received a strong decision from Superior Court Judge Healey, who is well respected in the field; he said there is no likelihood of success by the plaintiffs (FOB). Further, Judge Healey stated the Commissioner's final decision complies with the requirements of the Wetlands Protection Act and that the variance is necessary to accommodate the overriding public interest in maintaining or supplementing the public water supply for Quincy, and parts of Boston and Milton, as well as an emergency on the entire southern side of the city.

As part of the FOB effort to derail the project, legislation has been filed to require the MWRA to replace the wetlands somewhere else for the half of the tank that is now going to be covered. MWRA engineers have indicated this would cost \$4 to \$5 million if someone gave the MWRA the land. If these costs were added to the project, 40 to 50% of the costs would be for mitigation. If this legislation begins to move, it is MWRA's goal to mobilize the Advisory Board and the MWRA Caucus to push back. MWRA ratepayers are already bearing a heavy burden.

In summary, this project is critical; the situation in Quincy and Milton is urgent. The project is in full compliance with the Wetlands Protection Act. It is a win, win project for the MWRA and the communities because the MWRA will be able to provide safe drinking water and it is a new recreational resource at a time that there are minimal resources for DCR and other state agencies to improve their assets.

John Cosgrove stated Representative Ayers filed that bill; whom does he represent and who else has tacked onto that legislation? Mr. Laskey said Rep. Ayers represents Quincy. Representatives Creedon, Driscoll, Galvin and one or two others in this area have been convinced by the FOB to sign onto this legislation. Mr. Laskey stated the FOB are enthusiastic and effective advocates for their position on the Reservation; I give them credit for that, but the Authority believes a balance has been struck and that MWRA has done the right thing.

Bernie Cooper asked where the project is now, in terms of procurement, etc. Mr. Laskey said it is a two stage process; the first is to qualify companies to bid. Four companies have been notified that they are qualified; most of them are partnerships that include engineering firms and construction firms, joint ventures. The second stage is price.

Bernie Cooper asked when the Authority expects construction to start. Fred Brandon said the schedule is to award the contract late this summer, in the August timeframe. The Notice to Proceed would be in the fall of 2006. There would be a six-month design period and construction would begin probably a year from now. Mr. Laskey noted the design/build method worked well at the Norumbega tank. It is fairly simple construction and lends itself to the Design/Build procurement.

Avril Elkort said I know you are doing a lot environmentally, engineering wise, but what are you doing to diffuse the FOB? Mr. Laskey said the MWRA has not been proactively out on a public relations blitz, but it has responded to the press on the South Shore, including the Milton Times and the Patriot Ledger, that have provided coverage on both sides of the issue. Perhaps if the Authority were to be faulted, the fault is MWRA should have been more aggressive in a public relations push.

Mr. Favalaro said there is a balance between environmental goals and equitability for ratepayers. When has the MWRA gone far enough? When have the environmentalists gone too far? In this case, the Authority put a working group together, provided nearly 30% of project costs for mitigation to create non-wetlands into a real wetlands and a non-recreational area into a recreational area. Covered Storage will provide pressure for the southern system. These are all far greater benefits than having more wetlands. Minimally the Advisory Board needs to reaffirm its position no further increases can be made to this project. Any changes in mitigation must come from the \$33 million budgeted for the project now. This may mean that the tanks are above ground or that a pond is not a pond. There is a point where enough is enough and this project has reached it. Mr. Laskey said that was the clear message from the Board.

Bernie Cooper said anyone who has had a key waterline disrupted in their community and gone through the chaos it could entail knows that the risk is substantial.

Eileen Simonson of the Water Supply Citizens Advisory Committee said WSCAC'S Chairman was a member of the working group on this project. WSCAC supports the final design of the project. When the MWRA changed the project to these covered tanks and agreed to reinstate over 8 acres of land underwater, which is in fact treated differently in the Wetlands Protection Act than water in vegetated wetlands, we thought it was an outstanding compromise. The precedent it might set is difficult for a lot of the environmental groups who are concerned about the restoration and maintenance of wetlands. As the MWRA goes on the stump in support of this project, Ms. Simonson expressed her hope that it will be declared that this does not set a precedent. Further, this is a good project and it will open up land to recreation in the Blue Hills that will be appreciated.

Bernie Cooper made a **MOTION TO GIVE THE ADVISORY BOARD'S STRONG SUPPORT TO THE MWRA IN ITS PURSUIT TO GO FORWARD EXPEDITIOUSLY WITH THE BLUE HILLS COVERED STORAGE PROJECT PROVIDED THAT THE OVERALL COST NOT INCREASE. IF THERE ARE ANY ADDITIONAL REQUIREMENTS FOR MITIGATION, THOSE COSTS MUST COME OUT OF THE EXISTING PROJECT BUDGET.** It was passed by unanimous vote.

Chairman Dunphy asked Mr. Laskey to give members a report on the CSO holistic approach. Mr. Laskey stated yesterday a joint MWRA, EPA and U.S. Justice Department filing was made with Federal Judge Richard G. Stearns creating a comprehensive or holistic CSO plan. It is a landmark agreement that provides the MWRA with 15 years of variances and a clear set of milestones and requirements during that 15 year period on the CSO programs in the communities of Boston, Somerville, Cambridge, Chelsea and parts of Brookline.

Mr. Favalaro said over the past two years there has not been a Board of Directors, Advisory Board or Executive Committee meeting where this issue has not been front and center. Because of the advocacy of the Advisory Board in pursuit of the variance, when all is said and done, we took a gigantic waste of money and stopped it from becoming a colossal waste of money. That in many ways defines the entire CSO project.

Walter Woods stated there is nothing in the Enabling Act that gives the Authority responsibility for storm drains. Now the Authority has some involvement with sewer separation. I hope the Authority does not get involved in these future projects. Mr. Laskey said as the success of the Authority to clean up Boston Harbor settles in, people are looking to the next frontier; from an environmental point of view, the next frontier is stormwater. The pressure is there. The Advisory Board has held the line that the MWRA cannot get involved in stormwater. In the interest of full

disclosure, a stormwater project is included in the South Boston project; however, the Authority has letters from both the Department of Environmental Protection and the Environmental Protection Agency that this does not set a precedent.

Mr. Laskey introduced the Authority's new Budget Director, Rachel Madden, who joined the Authority from the Registry of Motor Vehicles.

D. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ ACTION ITEM: MWRA ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA'S PROPOSED FY07 CAPITAL IMPROVEMENT PROGRAM

Cornelia Potter stated for the next ten years, the Authority is proposing capital spending of \$1.15 billion. The total over 30 years represents spending of \$7.8 billion, of which \$6.7 billion will have been spent through FY06. The pace of spending is changing dramatically. Spending in the first ten years was \$3 billion and the second ten years was \$3.5 billion. MWRA is now moving into a ten-year period in which planned spending is a little over \$1 billion.

The Authority is proposing that 58% of all spending will be for wastewater system improvements, two-thirds of which is for CSOs; 18% of wastewater spending over the next ten years will be for other wastewater projects.

Waterworks system improvements account for 40% of the proposed budget and Business and Operations, which includes security and MIS, account for about 2% of future spending.

Despite the fact that this is a ten-year plan, the most clear spending projections are for the next few years. Over 60% of all spending proposed in this budget is going to be in the next three years; spending declines precipitously after that and is below \$100 million in six of the ten years.

Some \$770 million of projects have been deleted or excluded from this budget. The Authority has taken much of those projects from wastewater interceptor and water distribution and transmission projects. The Master Plan is, therefore, increasingly important to the Authority not only to identify projects that are not in the capital program, but also to provide the base for prioritizing the projects in the future. Part of staff's recommendation focuses on the importance of getting the Master Plan done and published by July, which is the beginning of the next CIP process.

The Authority reshaped the size and scope of the capital program because of pressures on water and sewer rates, including rising interest rates, which impact the Authority variable rate debt. Rate Stabilization Funds continue to shrink as the Authority uses more and more of the rate stabilization money to manage rates in the near term. Further, uncertainty about future Debt Service Assistance (DSA), which was eliminated from the state budget in FY03, has pushed the Authority to rethink its capital program.

The Authority set a goal to lower future capital spending to a point where spending would be below the scheduled repayment of principal. One of the rates management strategies up to this point has been to backend load much of the Authority's repayment of debt service. The Authority has repaid relatively little of its overall principal, with well over \$5 billion in principal payments outstanding. The Authority pulled down planned spending as of 2010, which is the projected period at which new capital spending would be less than the repayment of principal.

Another important feature of the Advisory Board's review is the capital spending cap. A revised five-year spending cap was put into place nearly three years ago. The Authority's proposed

budget does meet the provisions of the cap and nearly matches spending for the next five-year period as it was defined in the Final FY04 Capital Improvement Program, with one exception. That is a revised Charles River CSO Control Plan, which pushed spending \$21 million over the ten year \$1.68 billion that was forecast in the Final FY04 CIP. The Advisory Board does not take issue with the Authority's proposal that this increase be exempted from the cap but any additional CSO costs that may arise must meet the provisions of the cap.

Costs have risen for the Alewife Brook CSO project. A report, now over one year old, identified \$20 million in additional costs. Cambridge has requested that the Authority take over these costs; negotiations are ongoing. The Authority, in its proposed budget, indicated that resolution of the cost share, if any, would be reached over the course of the spring in time for the Final CIP. Any additional funding that the Authority agrees to through its negotiations must be found within the provisions of the cap.

Agreement has been reached on the scope and levels of control for the remaining elements of the long-term CSO control plan. Staff recommends the scope and levels of control filed with the court be held to at the agreed levels. In last year's budget a placeholder of \$800,000 was in place for the projects that now make up the programs for the Charles that are over \$20 million. There should be boundaries around the budget for the CSO program and they should be bound by the provisions of the cap with the agreed exception of the \$21 million.

Staff made nearly a dozen recommendations addressing specific project costs totaling \$8.7 million, including contingency fund calculations. These reductions should be reallocated to non-CSO projects, which have been curtailed as part of the effort to control overall spending and to manage rate revenue.

Chairman Dunphy thanked Cornelia Potter and Ryan Ferrara for the enormous amount of time, effort and hard work that went into producing this document.

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA'S PROPOSED FY07 CAPITAL IMPROVEMENT PROGRAM.** It was seconded and passed by unanimous vote.

❖ **FY07 CURRENT EXPENSE BUDGET REVIEW PROCESS**

Ms. Potter stated in its Proposed FY07 Current Expense Budget (CEB), the Authority is proposing just over \$200 million in Direct Expenses, another \$40 million in Indirect Expenses and Capital Financing costs of over \$350 million. The Authority has offset that number partially with the Bond Redemption Fund. Total expenses are over \$600 million; however, offsets bring expenses to just over \$580 million. The Authority proposes non-rate revenue of about \$53 million, leaving a rate revenue requirement of just under \$520 million for FY07, just under a 10% rate increase from FY06.

The Advisory Board review is more challenging because there are a number of external uncertainties, most notably from electricity and other utility pricing and also the extent of variable rate increases and how it affects the Authority's debt service and the potential for new regulatory requirements for chemical use at Deer Island.

Also important is the multi-year picture. The Authority's planning projections show considerable rate increases that are anticipated to increase by \$228 million over the next five years. The annual dollar increase is now twice what it has been in the years when Debt Service Assistance (DSA) was available. The return of DSA will play a significant part in what future rates will be;

however, the Authority's projections for future rate revenue requirements do not assume DSA receipts. The Advisory Board's efforts to gradually reintroduce the program this year with a request of \$25 million, of which the Authority could be eligible for approximately \$20 million, would go a long way to lower monthly assessment increases that the Authority proposes. The multi year planning projections had assumed the Authority would be eligible for as much as \$70 million a year.

Executive Committee – Katherine Haynes Dunphy

❖ **UPDATE: THE CASE FOR DEBT SERVICE ASSISTANCE**

Mr. Favalaro reported that the House Budget, next in the series of budget documents, is due the second week in April. Staff has met with House leadership in an effort to increase DSA in the House Budget. Staff's efforts will now focus on the individual MWRA service area Representatives to stress the importance of DSA.

Governor Romney has not put one penny in the budget for DSA and, in fact, has worked against the MWRA. Because there will be a new Governor in January, staff has put together a questionnaire regarding funding to send to the announced candidates and offering them an opportunity to come before the Advisory Board at the May and June meetings to present their positions.

❖ **UPDATE: WATER SUPPLY PROTECTION TRUST**

Chairman Dunphy stated the Water Supply Protection Trust (Trust) will meet at the end of this month to review the Trust's preliminary budget for next year. The final budget will be voted at a later date.

Operations Committee – Jay Fink

❖ **PROGRESS FOR SYSTEM EXPANSION COMMITTEE REPORT**

Ryan Ferrara stated the System Expansion Committee will meet again on April 4th to consider such topics as the means by which the entrance fee for new entities is calculated and whether standby or readiness-to-serve fees should be assessed to communities with a connection to the MWRA water system. Advisory Board members are encouraged to attend this meeting.

❖ **OPERATIONS UPDATE**

Jay Fink reported at the last Operations Committee meeting it was determined that a water rehabilitation technical services contract, provided for communities through the MWRA, will be extended for three months through delegated authority, until June 30, 2006, to allow communities to finish any remaining work. The contract has been ongoing for the past six years and the Committee felt that all communities that wished to take advantage of these technical services have already done so.

E. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:18 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary