

**MWRA ADVISORY BOARD MEETING
MARCH 15, 2007
NATIONAL HERITAGE MUSEUM
33 MARRETT RD. (ROUTE 2A), LEXINGTON, MA
Minutes Approved at the May 17, 2007 Meeting**

Forty people were in attendance, including twenty-one voting members: E. A. Maguire, ASHLAND; Richard Warrington, BEDFORD; Peter Castanino, BELMONT; John P. Sullivan, BOSTON; Jon Norton, EVERETT; J.R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Ben Lagman, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Peter Smyrnios, PEABODY; Ted McIntire, READING; Richard Stinson, WAKEFIELD; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Fred Russell, WOBURN.

Also present: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Jerry F. Sheehan, EVERETT; Barbara Stevens, LEXINGTON; Ron Seaboyer, MELROSE; David Polcari, CAMP DRESSER & MC KEE, INC.; Matt Boger, UCANE; Ed Bretschneider, WAC; Patricia Filippone, Kathy Soni, Pamela Heidell, Leo Norton and Joseph McCann, MWRA STAFF; Joe Favaloro, Cornelia Potter, Matthew Romero, Christine Hevelone-Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:36 a.m.

B. APPROVAL OF THE MINUTES FROM NOVEMBER 16, 2006 AND JANUARY 18, 2007

A Motion was made **TO APPROVE THE MINUTES FROM THE NOVEMBER 16, 2006 AND JANUARY 18, 2007 ADVISORY BOARD MEETINGS.** It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro informed members that MWRA Treasurer Ralph Wallace is leaving the MWRA for a new position with the Massachusetts School Building Authority.

Mr. Favaloro reported that a meeting will be held on March 19 in West Boylston on the Rutland-Holden Trunk Sewer to try to determine a better way to manage this sewer system. Staff of the Advisory Board has been successful in bringing all the parties together. The meeting will consist of representatives from Rutland, Holden, West Boylston, the Department

of Conservation & Recreation (DCR), the Massachusetts Water Resources Authority (MWRA), Advisory Board and legislative delegations from each of those communities. The hope is to have a proactive discussion on care and custody alternatives for the future.

Joe Foti's three-year term as a member of the MWRA Board of Directors is coming up for re-election. The timeline schedule will be brought before the Executive Committee and an election will be held at the May Advisory Board meeting in Wellesley.

The Authority will hold its Current Expense Budget Public Hearing on April 10 at Boston City Hall at 6:30 p.m. and the Advisory Board's Public Hearing will be held on April 19, just prior to the Advisory Board meeting in Room 350 at the State House.

In the past month, Chairman Dunphy, MWRA and Advisory Board staff met with Lt. Governor Tim Murray to outline the Advisory Board and MWRA's legislative agenda and to stress the need for restoration of the 40% cut in DSA at a minimum. Further, Advisory Board staff met with Executive Office of Environmental Affairs Secretary Ian Bowles to talk about issues of mutual interest. High on the list was to advocate for a less cumbersome regulatory process for system expansion and to recommend that the Authority be allowed to sell 36 MGD of water, after consideration of high reservoir levels and MWRA's daily use.

D. PRESENTATION: MWRA's PROPOSED FY08 CURRENT EXPENSE BUDGET –
Kathy Soni, Budget Manager

MWRA Chief Financial Officer Patricia Filippone stated the MWRA's Proposed FY08 Current Expense Budget (CEB) was authorized for transmittal to the Advisory Board for its official review at the March 7, 2007 MWRA Board of Directors' meeting. It will be formally mailed to the Advisory Board and designees next week.

The Proposed CEB Budget is \$575 million; the increase on the rate revenue requirement from FY07 is 6.4%, which includes \$11.25 million from the assumed state-wide Debt Service Assistance allocation of \$15 million and \$4.6 million of the Authority's reserves. The rate revenue requirement is \$527 million of the \$575 million revenue budget; \$358 million is related to the sewer increase and \$169 million is related to the water increase. Debt Service is a major driving force of the budget at nearly 60% of the budget.

In January, the Authority did an \$849 million bond deal to restructure debt and was able to move \$43 million of debt service out of the FY08 budget to take some pressure off the rate increase. Of the \$849 million worth of bonds sold, staff reported that \$675 million was restructured to provide rate relief, pushing the debt out beyond 2023 to achieve sustainable and predictable rates of 5.8% for the out years.

In analyzing bond restructuring options, the projected level of Debt Service Assistance was at \$25 million. In the House 1 Budget that is proposed, the Governor has only allocated \$15 million for statewide Debt Service Assistance, in effect losing \$7.5 million of revenues anticipated in the MWRA's budget, which equates to close to 2% on rates that must be absorbed.

Another cost factor is the implementation of GASB 45, which is an accounting pronouncement that requires the Authority to start funding for health insurance for retirees. It is a liability that has always existed but had been paid on a pay as you go basis; now the

Authority must accrue it. Staff had anticipated it to be \$4.5 million but a preliminary review of an actuary report shows it will likely be closer to \$10 million depending on how the Authority is going to fund it. This is a significant increase, almost a percentage on the rate, which needs to be addressed to finalize the budget in June.

MWRA Budget Manager Kathy Soni stated many costs are out of the Authority's control and are driven by a variety of issues. In addition to the post-retirement liability costs, energy pricing is another big unknown because there are so many factors influencing the energy market. Regulatory requirements can significantly affect line items such as chemical usage. The Authority's National Pollutant Discharge Elimination System (NPDES) permit expired in August 2005. Staff is working with the regulators on what will be included in the new permit; there could be significant increases to chemical usage. As of now, MWRA is adhering to the fecal coliform standards, but there could be significant increases to the chemical dosage at the Deer Island plant, more specifically in sodium hypochlorite and bisulfate.

Health insurance costs continue to go up and interest rates are another unknown. Other market conditions are also a factor. The Authority has a significantly large contract with a third party administrator for processing of sludge and there are some inflation parameters imbedded in those contracts.

Total expenses in the capital budget are \$589 million; offset by \$11.3 million in DSA (MWRA's share of the \$15 million appropriation) and the use of \$2.9 million in bond redemption funds result in net expenses of \$575 million.

Direct expenses total \$212 million, indirect expenses are \$42.6 million and capital financing expense is \$333.9 million. The proposed FY08 budget utilizes \$4.6 million in reserves (\$1.7 million in rate stabilization and \$2.9 million in bond redemption funds). MWRA has approximately \$100 million between these two funds; planning estimates expect these reserves to be exhausted in 2013. Direct expenses increased over the FY07 budget by \$9.1 million. Through the years, the Authority has been conscientious in managing labor, which accounts for nearly 42% of direct expenses. At its peak in 1997, MWRA had 1,768 employees; currently, MWRA budgets for 1,255 full-time positions, with 1,244 positions filled. Indirect expenses account for 42% of the budget.

Outside of the rate revenue requirements of member communities, the Authority has other means of generating income. MWRA invests its reserves in a variety of interest rate securities, which resulted in \$33.7 million. The Authority plans to use \$1.7 million in rate stabilization funds this year. Under other user charges are provisions for special agreements such as providing services to the Chicopee Valley Aqueduct (CVA) communities and entrance fees. Further, the MWRA participates in generating its own electricity and receives reimbursements and participates in a load sharing program through ISO-New England resulting in \$5.1 million. Non-rate revenue is \$47.9 million and rate revenue is \$527.2 million for total revenue of \$575.1 million.

Ms. Filippone stated the rates outlook shows a 6.4% rate increase this year and a sustainable and predictable rate increase of 5.8% in the out years with all reserves exhausted by 2013; rates would increase by 9 to 10% without these tools. These rates assume a state-wide \$15 million DSA appropriation. Staff will continue to work with legislators to try to bring that funding back up to a minimum of \$25 million. Further, these increases do not assume

surpluses in the future; however, staff believes there will be a \$5.8 million surplus for the current year, which can be thought of as 1% on the rate.

MWRA has \$41 million in the rate stabilization fund and \$68 million in the bond redemption fund resulting in roughly \$100 million in reserves. Staff plans to use \$33 million of these funds by June 30 to defease debt in the outyears.

Ron Seaboyer asked how many employees the Authority has and how staff accounts for the \$3.8 million in overtime. Ms. Filippone said the Authority has 1,244 employees and the overtime is a result of wet weather events, maintenance and coverage.

Richard Warrington said the projected Capital Improvement Program (CIP) ends in 2017 and 2018; at that point, Deer Island will be 25 years old and will likely need some major rehabilitation. Stretching out the Authority's debt may overlap future debt. Ms. Filippone said the Master Planning efforts that are not in the ten-year CIP show investment plans of \$3 to \$4 billion into the system over time. Planning estimates are generally a ten-year outlook, but staff has determined that issuing \$200 million worth of debt each year is a steady state of where the Authority needs to be. Before the debt was restructured, staff reviewed these plans to make sure that the impact would not hurt the Authority in the future.

Mr. Favaloro said on GASB 45 the Authority has an estimated liability; are there any rules governing the duration of time to close the gap? Ms. Filippone responded that there is flexibility on how to close the gap; the Authority has a 30-year period. Staff will calculate current liability, which is about \$178 million, and over the next couple of months will make decisions on how to fund it over time.

E. COMMITTEE REPORTS

Executive Committee – Katherine Haynes Dunphy

❖ LEGISLATIVE UPDATE / RESTORING DEBT SERVICE ASSISTANCE

Staff has created a resolution to gain community support to minimally restore the cut in Debt Service Assistance (DSA). The process last year was successful with 49 communities supporting a resolution that requested their legislative delegation and the Governor increase DSA from \$15 million to \$25 million. The goal this year is to send a message of the importance of DSA and the impacts of retail water and sewer rates and the need to, at a minimum, get the 40% cut restored. There are many priorities competing for limited dollars in the state budget. In discussions with House and Senate leadership, the message was the more legislators that keep this on their priority list the better chance that DSA monies will be restored.

The impact of not getting more DSA has already been reflected in the FY08 preliminary increase of 6.4%, higher than the proposed 5.8%. In reality, that number would have been 7.3% if the Authority had not already put in more bond redemption/rate stabilization funds. Whatever course the Authority takes for the FY08 budget has a residual effect in FY09 and FY10 as reserves are drawn down. The rates management strategy to get to sustainable and predictable rates also assumed the state would minimally contribute \$25 million statewide for DSA.

❖ **ACTION ITEM: PURSUANT TO MWRA POLICY # OP.11 – REQUEST FOR A SEWER CONNECTION OUTSIDE THE MWRA SERVICE AREA TO ALLOW THE PROPOSED CONNECTION OF THE HINGHAM CENTRAL FIRE STATION INTO THE HINGHAM SEWER DISTRICT**

David Polcari of Camp Dresser & McKee, Inc., representing the Town of Hingham, stated Hingham is part of the MWRA sewer system; however, the Hingham Central Fire Station is located outside of the MWRA sewer district. An existing force main from part of the Town that is connected to the MWRA is going to be relocated to allow the expansion of the existing fire station and the Town would like to connect the station to the sewer system. Hingham has completed all of the MWRA's admission requirements, including an inflow removal project. Average daily flow is approximately 400 gallons and, based on DEP calculations, would be 800 gallons per day.

Chairman Dunphy noted this connection was approved by the Executive Committee conditioned on the approval of the Operations Committee. Operations Committee Chair Jay Fink stated the Operations Committee gave a favorable recommendation for the connection.

A Motion was made TO APPROVE THE TOWN OF HINGHAM'S REQUEST TO TIE INTO THE MWRA SYSTEM FROM THEIR RESPECTIVE SITES IN HINGHAM VIA A 110 LINEAR FOOT, 2" FORCE MAIN, CONNECTING TO THE NORTH SEWER DISTRICT COLLECTION SYSTEM IN THE TOWN OF HINGHAM. THIS MOTION IS SUBJECT TO THE PARAMETERS SET FORTH IN MWRA POLICY #: OP.11, "REQUESTS FOR SEWER SERVICE TO LOCATIONS OUTSIDE MWRA SEWER SERVICE AREA." THIS INCLUDES PROVISIONS THAT 1) THE TOWN OF HINGHAM/NORTH SEWER DISTRICT OF THE TOWN OF HINGHAM WILL BE RESPONSIBLE FOR PIPE MAINTENANCE AND FOR ASSURING THAT NO CONNECTIONS WILL BE MADE TO THE PIPE WITHOUT PRIOR APPROVAL BY THE MWRA AND 2) ALL SEWER SYSTEM CONNECTIONS SHALL RECEIVE APPROVAL FROM: THE COMMUNITY OF ORIGIN, TRANSPORTING COMMUNITY, OTHER REGULATORY BODIES (WHERE REQUIRED), MWRA ADVISORY BOARD, MWRA BOARD OF DIRECTORS AND THE GOVERNOR AND GENERAL COURT (AS SPECIFIED IN SECTION 8C).

THE APPLICANT(S) WILL SEEK TO LIMIT MAXIMUM DAILY FLOWS TO 782 GALLONS PER DAY.

CONSISTENT WITH THE REQUIREMENTS OF MWRA POLICY #: OP.11, THE TOWN OF HINGHAM IS RESPONSIBLE FOR A FOUR TO ONE REDUCTION IN INFLOW IN THE HINGHAM WASTEWATER SYSTEM, PROVIDING AN APPROXIMATE DAILY REDUCTION OF 3,128 GALLONS OF INFLOW (BASED UPON THE STIPULATED 782 GALLONS COLLECTIVE PER DAY AVERAGE) WITHIN THE HINGHAM SYSTEM.

THE APPLICANT(S) WILL PAY A CONNECTION FEE OF \$8,429.00, CONSISTENT WITH THE GUIDELINES SET FORTH IN MWRA POLICY #: OP.11. It was seconded and passed by unanimous vote.

Mr. Favaloro noted that if the Town of Hingham decides to actively pursue expansion of their sewer district in the future, the Town should work closely with the MWRA and the Advisory Board to put together a plan to get credit for inflow removal. Mr. Polcari stated he would speak to Hingham's Sewer Commissioner.

Finance Committee – Bernard Cooper

❖ **CIP/CEB UPDATE**

Cornelia Potter stated staff continues to review the Capital Improvement Program (CIP) and Master Plan and has conducted a series of briefings with Authority staff. Advisory Board staff is completing its analysis and developing draft *Comments and Recommendations* on the MWRA's Proposed CIP to be mailed the first week of April. A final vote will be taken at the April 19 full Advisory Board meeting.

Draft Current Expense Budget (CEB) Comments and Recommendations on the MWRA's Proposed FY08 CEB will be sent to the Executive Committee in early May. CEB briefings begin in less than one week, resulting in an overlapping review period. The draft CEB will be before the Advisory Board for consideration on May 17.

Operations Committee – Jay Fink

❖ **PRESENTATION: WATERSHED PROTECTION/WATER SUPPLY PROTECTION**

TRUST – John Scannell, Acting Director of the Division of Water Supply Protection (Department of Conservation and Recreation)

John Scannell, Regional Director at Wachusett Reservoir, is currently serving as Acting Director of the Division of Water Supply Protection while Director Jonathan Yeo is serving as Acting Deputy Commissioner of Operations for the Department of Conservation & Recreation (DCR).

Mr. Scannell stated the creation of the Water Supply Protection Trust (Trust) allows Trust employees to appropriately do the job of protecting the watersheds. The Trust, created in 2004, is governed by a five person Board of Trustees that provides oversight and approval authority of the Division's annual budget and work plans; the proposed FY08 budget will be submitted to the Trust in April.

The Office of Watershed Management is part of the Division of Water Supply Protection and is the former MDC Division of Watershed Management. This office is responsible for management of the four metropolitan Boston watersheds: Quabbin Reservoir, Ware River Watershed, Wachusett Watershed and the Sudbury Watershed.

In 2004, DCR and MWRA created a new Memorandum of Agreement (MOA) that details the division of responsibility between the two agencies for managing the watersheds. Within the MOA are reporting and coordination requirements with the MWRA. DCR has monthly financial reporting and its budgetary staff meets regularly with MWRA's financial staff to review current finances. DCR works with MWRA to develop a budget and work plan each year; quarterly billings are sent to MWRA. DCR works with MWRA on reservoir operations, including daily coordination on issues such as water quality and reservoir security.

A breakdown of revenues for FY07 shows a total budget of \$13.1 million, with \$11.9 million being directly funded by MWRA. The remainder is funded by other revenues, such as hydro power generation and forestry revenues. The majority of the budget supports personnel.

MWRA makes payments in lieu of taxes (PILOT) to the communities through DCR for all the lands owned for watershed protection purposes, which is legislatively mandated. MWRA also pays the debt service on previous land purchases, which is currently \$5.6 million.

Within the watersheds, the tributaries are protected by the Watershed Protection Act and its regulations, which were developed in 1992 specifically to provide enhanced protection to the metropolitan Boston water supply system. All activities are guided by annual work plans that are developed from a five-year Watershed Protection Plan, which is a requirement of the Department of Environmental Protection (DEP). DEP regulates DCR.

The watersheds are protected through ownership and management of current plans, through regulation (the Watershed Protection Act and others) and through monitoring and surveillance activities in the watershed.

There is an ongoing Land Acquisition Program in the watersheds that has a map-based model to identify parcels of high importance. When those parcels are on the market, staff pursues those lands. DCR owns 53% of the Quabbin watershed, 33% of the Ware River watershed and 27% of the Wachusett watershed. To maintain the waiver from filtration, the continuation of an active Watershed Protection Program is a requirement. Staff works hard to not purchase a building, but sometimes it is a requirement to buy the piece of property. DCR has recently spent monies to remove old structures.

The current goal of the Land Acquisition Program is to try to purchase conservation restrictions, which means the original owner continues to own the property but the Trust will own the development rights and can place restrictions on what the owner is allowed to do on that property. The Authority does not pay PILOT on lands that have conservation restrictions.

DCR has an active Land Management Program and its forests are green certified. The forests are managed for the protection of water quality. A healthy forest is best for watershed protection so the goal is to have an uneven age and a multi-species forest that can resist weather disturbances, pests or other impacts to the forest and remain healthy. Forestry staff consists of seven professional foresters who manage active timber sales. There are land management plans in place for each of the watersheds. Over the last several years, staff has had the benefit of the GIS system to better manage the forest.

The Wildlife Management Program includes a bird harassment program. Studies in the early 1990s determined that roosting gulls, and to a lesser degree geese, were causing water quality and bacteria problems at both Quabbin and Wachusett Reservoirs. In 1992 DCR developed a program that has been successful in improving and maintaining water quality levels; the program is year round but most of the effort focuses in the fall and early winter.

Wildlife management staff deals with other problems on the properties, including beaver and muskrat populations. Surveys are done regularly to maintain an understanding of the wildlife on these properties. Currently, staff is studying deer and moose in the Quabbin watershed to track population growth to reduce the impact on the watersheds. There is a problem with Canada Geese and staff has a control program to reduce the amount of nesting that occurs on the reservoirs, therefore, reducing the resident populations of Canada Geese. These programs are all done under approved federal permits.

The Watershed Protection Act, developed specifically for the protection of the metropolitan Boston water supply, regulates activities that occur within 400 feet of a tributary to a reservoir. DCR works closely with DEP to help with implementation of other state regulations. Currently, staff is working with DEP on stormwater permits in the watershed.

DCR's environmental quality staff investigates construction impacts and works to identify septic system problems and issues that could affect the water supply.

Staff works closely with local planning boards, conservation commissions and boards of health in implementation of their regulations. Most of these are smaller communities with volunteer boards that do not have professional staff with a background in environmental regulation or planning. DCR staff provides technical assistance to help the communities in development of local bylaws that will be of importance to DCR as well.

Public access is allowed in the majority of the watersheds although there is an intake protection zone at both reservoirs where public access is restricted. Passive recreation is allowed, including hiking, fishing, hunting in portions of the Wachusett watershed and a controlled hunt at Quabbin. There is a staff of 13 full-time rangers that provide enforcement of the regulations, essentially through education, which works 90% of the time. The State Police, the Environmental Police and local Police work closely with the rangers as well. Violation of DCR's regulations is a criminal offense.

DCR has an active watershed monitoring and surveillance program. At Wachusett staff takes samples at 54 locations on 31 tributaries every week; at Quabbin 24 samples are taken on the tributaries. The samples allow staff to identify and track possible sources of pollution. Lab work is done in MWRA labs resulting in cost savings between the two agencies.

DCR developed a plan for protection of the reservoirs and has, through the MWRA, purchased equipment and supplies and trained staff to respond if there was a spill near the reservoirs. The Division of Water Supply Protection/Office of Watershed Management currently has 142 full time positions, with a hand full of vacancies, and some seasonal staff.

Mr. Favaloro asked if the freeze on Commonwealth hiring had any impact on operations. Mr. Scannell said there was a slow down on hiring with the new Secretary of Environmental Affairs. Mr. Scannell added that Mr. Favaloro made the Secretary aware that the Office of Watershed Management is funded by the Trust and should not be held up in filling its positions. Three of the four positions at EOEA have been released for filling with a new forester starting next week.

Barbara Wyatt asked if there are plans to purchase land. Mr. Scannell said there were some legal questions on how to purchase land and how MWRA funds it that have been resolved. There is \$8 million in the land acquisition budget this year and staff has currently spent \$2 million and is working on a number of other parcels. Staff has a prioritized list of parcels it would like to purchase with the greatest focus remaining on the Wachusett because it is the terminal reservoir in the system. If a strategic piece of property in Quabbin or Ware River comes up, staff keeps an active list.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:01 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary