

**MWRA ADVISORY BOARD MEETING
APRIL 18, 2013
CHELSEA OPERATIONS CENTER
TWO GRIFFIN WAY, CHELSEA, MA**

MINUTES APPROVED AT THE JUNE 20, 2013 MEETING

Thirty-five people were in attendance, including fourteen voting members: David Manugian, ASHLAND; Richard Warrington, BEDFORD; Peter Castanino, BELMONT; Jay Hersey, BROOKLINE; Tim MacDonald, CAMBRIDGE; J.R. Greene, GUBERNATORIAL APPOINTEE; Bill Hadley, LEXINGTON; Dan O'Neill, LYNN; Amy McHugh, MARBLEHEAD; Katherine Haynes Dunphy, MILTON; Jeff Zager, READING; John DeAmicis, STONEHAM; Zig Peret, WILBRAHAM; Michael Woods, WILMINGTON.

Also present: Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Michael Bishop, BELMONT; George Burnell, LEXINGTON; Wiff Peterson, NATICK; Eugene Brune, SOMERVILLE; Joe Lobao, WILMINGTON; Andreae Downs, WAC; Lexi Dewey, WSCAC; Fred Laskey, Michael Hornbrook, Rachel Madden, Kathy Soni, Kevin McCluskey, Tom Durkin and Dave Whelan, MWRA STAFF; Joe Favaloro, Matthew Romero, Maggie Kenneally, Cornelia Potter and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. APPROVAL OF THE FEBRUARY 21, 2013 AND MARCH 21, 2013 MINUTES OF THE ADVISORY BOARD

Chairman Katherine Haynes Dunphy called the MWRA Advisory Board meeting to order at 11:41 a.m. A moment of silence was offered in memory of the victims of the Boston Marathon bombing and as an acknowledgement of the injured victims as well. A motion was made **TO APPROVE THE FEBRUARY 21, 2013 AND MARCH 21, 2013 MINUTES OF THE ADVISORY BOARD**. It was seconded and passed by unanimous vote.

B. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated that last month Michael Hornbrook provided a presentation on proposed changes to DEP regulations. The public hearing process has been completed. DEP is holding an informational meeting on April 22 from 10 a.m. to 1 p.m. at DEP on Winter Street in Boston. It is important that communities understand the potential impacts that these changes may have. Further, an extension on the comment period will not be allowed unless communities request it. The current deadline for written comments is May 10, 2013.

C. RECOGNIZING RETIRING ADVISORY BOARD MEMBERS

Chairman Dunphy introduced the Honorable Eugene Brune, the former Mayor of Somerville, who has been a long-time supporter on MWRA issues, protection of the environment and

ratepayer interests. Mr. Favaloro showed photos of Mayor Brune from a 1989 Advisory Board meeting. The former mayor has been active in government for 43 years.

Mayor Brune thanked members for all the good work that the Advisory Board has done over the years. He stated that he served for three years as Chairman of the Board of Health and then served as an Alderman before he became Mayor; he served as Mayor for ten years and then 24 years as the Registrar of Deeds. He retired on January 2, 2013. Mayor Brune stated that he enjoyed politics immensely. In his entire career, being mayor was the toughest job he had but it was the job he loved the most. He remembered attending many “rip-roaring” Advisory Board meetings over the years on the topic of rates. He said “we have come a long way” and thanked the members for their efforts.

Chairman Dunphy presented a Certificate of Appreciation to the Honorable Eugene Brune on behalf of the MWRA Advisory Board.

The Chairman also recognized Bedford designee Richard Warrington for 26 years of dedicated service on behalf of ratepayers as a member of the MWRA Advisory Board. Mr. Favaloro noted that Mr. Warrington has been a member of the Advisory Board since the beginning. Mr. Warrington stated that he would be retiring at the end of the month. He thanked Mr. Favaloro for his leadership over the years. Mr. Warrington noted that during his tenure, the Town of Bedford became the first community to be allowed to join the MWRA water system, which he believes is a premier water and sewer Authority and is tops in the nation.

In addition, Chairman Dunphy presented a Certificate of Appreciation to Wiff Peterson for his efforts as part of the Advisory Board and the Executive Committee. Mr. Peterson said he enjoyed his time working with the Executive Committee and the Advisory Board representing the Town of Natick. He offered his thanks.

Mr. Favaloro acknowledged two other members that recently retired who were not in attendance: Edward Maguire of Ashland and Charles McCollum of Marblehead.

**D. PRESENTATION: OVERVIEW – MWRA LABORATORY SERVICES DEPARTMENT
– Michael Delaney, Director, Laboratory Services**

MWRA Director of Laboratory Services Michael Delaney stated that the MWRA’s five laboratories have been consolidated into one department. The five laboratory locations are at the Quabbin, the Clinton Wastewater Treatment Plant, Southborough, Chelsea and the Central Lab at Deer Island. The department has 56 employees throughout the five locations. The laboratories contain about \$2 million worth of instruments to test thousands of samples.

The MWRA runs the sampling for the harbor monitoring program so there are two boats that are located in Winthrop that are out year-round collecting samples in Boston Harbor up into the rivers and once a month in Massachusetts Bay in the area of the outfall.

All the chemistry samples come to the central lab at Deer Island. Staff works closely with the Department of Conservation and Recreation (DCR), which collects the samples at the Quabbin and Wachusett and brings them to the lab. Certain process control tests are done on samples from the Clinton plant and certain tests that have to be done immediately at the Clinton lab.

The other samples from Clinton are sent to Deer Island to be batched together with the other testing from the Carroll Water Treatment Plant and samples from the communities.

For the sewer system, the lab receives samples from the Toxic Reduction and Control (TRAC) Department for the industrial pre-treatment program, which are brought to Deer Island.

In 2012, staff switched to the colilert test for total coliform testing, which has gone well. With the previous test, it would give presumptive positive readings and staff would have to follow that up with a confirmation test. The colilert test requires one step and within an 18-hour period shows the results.

This year sampling has begun for the Unregulated Contaminant Monitoring Rule (UCMR3); this testing cannot be done in-house as it requires equipment that the MWRA does not have. MWRA has hired an outside lab with a three-year contract for \$156,000.

In February, EPA published a revised Total Coliform Rule and DEP is working on writing its regulations to implement it. The biggest change is the elimination of the 5% total coliform positive rule; that goes away as a violation. This shifts the burden on the water operators to address the issues if there are any. This will likely be implemented early next year.

On the wastewater side, staff does harbor monitoring for nutrients, bacteria and water quality. Chemistry testing is done for the outfall monitoring program, including water samples and (every three years) fish and shellfish samples, lobster mussels and flounder. For the past two years, EPA has required staff to go out near the outfall and find any fat particles that may be coming from the discharge and test for hazardous chemicals. Staff has met that requirement.

Staff does the testing for the DCR Boston Harbor beaches five days per week and DCR uses a commercial laboratory for the other two days. There is also a testing program for the Boston Harbor Watershed Associations (Neponset, Mystic and Charles River, and beginning this month, the Saugus River Watershed Council).

Mr. Delaney said staff has a detailed and organized way to develop its budget and it involves predicting the testing that will be done from one year to the next. Lab technicians track their time and supplies. They do time tracking and charge it to various tests, which allows staff to know the time involved in testing so it can ensure that the staffing is adequate.

Staff keeps track of things with the Laboratory Information Management System (LIMS). With 250,000 tests and upwards of 100,000 samples per year in five locations, LIMS is vital for keeping track of everything. This system allows data to be transmitted to DEP electronically. LIMS also allows for automatic notifications via email.

Laboratory Services has an extensive Quality Assurance/Quality Control Program. Four of the five (with Clinton as the exception) laboratories are DEP certified. DEP comes every two years and does audits. Over the past few months, the Southborough and Chelsea labs were audited and there were no adverse findings. Staff also performs regular in-house compliance audits. The MWRA recently hired a consultant to deliver one-day training on “Data Integrity and Lab Ethics.”

MWRA staff is actively involved with the DEP Laboratory Advisory Committee and the Independent Testing Laboratory Association (ITLA).

E. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ DRAFT ADVISORY BOARD OPERATING BUDGET

Mr. Favaloro stated that the Advisory Board's proposed budget for FY14 will grow by 3.3%, or \$15,000, in its request from the MWRA. The largest growing line item for the coming year is lease payments. There had been discussion over the last few months in an effort to negotiate out of the lease for the fourth floor and move down to the second or third floors since the Authority was renegotiating its lease to move out of the first floor; that did not materialize.

There is also an additional small increase in Wages and Salaries.

❖ PRESENTATION: MWRA ADVISORY BOARD EMERGING COMMENTS ON THE AUTHORITY'S PROPOSED FY14 CURRENT EXPENSE BUDGET AND CAPITAL IMPROVEMENT PROGRAM – Matthew Romero, Manager for Finance and Policy Review

Manager for Finance and Policy Review Matthew Romero stated that staff will be coming back before the members next month for a final vote on the Comments and Recommendations. With this presentation, staff wanted to give members a chance to see the recommendations as they currently exist.

Capital financing remains the largest item of the Current Expense Budget (CEB) for the Authority followed in a distant second place by personnel related costs. The biggest change in the CEB from this year to the last is that debt service increases by a large amount (\$22.8 million). The retirement fund contribution is a distant second. This underscores the message that the Authority has continued to say that debt service is the great driver of the CEB and rate increases.

Toward that end on the CEB recommendation, the Authority proposed a wholesale increase of 3.9%; Advisory Board staff is offering a recommendation to bring that number down to 3.49%. The Authority is treating the Pension and Other Post-Employment Benefits (OPEB) line items as two sides of the same coin – as one major liability that the Authority has to face over time. The strategy has been to address the Pension liability first, scheduled for full funding by 2024, and then staff will turn its attention to OPEB.

In this year's budget, \$5.9 million is the annual required contribution for the pension fund. There is an additional \$2.2 million in the pension line item this year based on revised mortality tables that will go into effect by FY15. In the FY14 budget, they included the \$2.2 million to begin to address that additional cost. The Authority also had a line item called Other Post-Employment Benefits/Additional Pension Payment to ensure that OPEB does not fall off the radar screen, while clearly indentifying staff's intention to transfer this amount as an optional payment to the retirement fund. MWRA proposed a \$5 million payment in this line item.

Since the mortality rates do not go into effect until FY15, Advisory Board staff believes that the \$2.2 million payment can be removed, which would result in the 3.49% rate increase.

One of the concerns about reducing rates in the current year is the effect it has upon the subsequent years. Currently, the Authority's planning projections call for a 3.71% rate increase for FY15. If the Advisory Board's increase for FY14 of 3.49% is utilized, the projected rate change for FY15 would be 4.12%; however, a couple of years ago, the projections called for FY14 to be higher than it came in at in the Authority's proposed budget so staff anticipates that the 4.12% could come down by other means as well.

For the Capital Improvement Program (CIP), staff compared what the final FY13 CIP had as its expenditure forecast for the FY14 to FY18 period. As part of this CIP process, the third five-year capital spending cap is going to be set. As part of the Advisory Board's review last year, staff challenged the Authority to limit its next five-year cap to no greater than \$800 million. The Authority has met the challenge and came in with a proposed five-year cap of \$793.5 million.

The one project that the Advisory Board feels should not be included in the five-year cap is the hatchery pipeline project. The MWRA agreed to this project in return for a streamlined system expansion regulatory review process, which has not materialized. With this exception, the Advisory Board is supportive of the Authority's FY14 CIP and five-year capital spending cap.

Co-digestion has gained traction with regard to the Authority being a potential player. The state is implementing regulations by the end of 2015 whereby large industrial users are going to have to remove organic food waste from landfills. A plan is developing that would have third-party providers that will accept this food waste and condense it into a concentrated slurry that will then be transported. This product is great for digestion and the Authority has great digesters and a great capacity to do it. Thus, there has been discussion about the Authority's participation and, in fact, the Authority has already undertaken a pilot program to see what would happen if this product were to become part of the digestive process. What would the impacts be? Would more gas be produced? How much sludge would it create?

The Authority is moving down this path and it is a good path to move down as long as the Authority benefits from this process. Since the state came up with the regulations regarding food waste and the third-party entities are going to be making money by taking the industrial food waste from the users, it is only fair that the Authority should benefit as well. The Authority may have the capacity, but it is not really its charge to just take it without a benefit. The line staff keeps hearing is that they want to make sure it is "revenue neutral" for the Authority. The Advisory Board doesn't want it to be "revenue neutral" or "slightly beneficial"; if the Authority is going to undertake the potential process of refitting equipment or making changes in the operations at Deer Island, the benefits must be significantly greater. These savings can be passed onto the ratepayers.

As part of the discussions as the residuals contract nears its end, staff has identified and flagged components of the existing lease contract and said to the Authority that if it is going to extend the lease beyond the 2015 timeframe until a long-term determination is made on what to do with the residuals treatment operation, ensure that the components are discussed with the New England Fertilizer Company (NEFCO).

With regard to watershed payments in lieu of taxes (PILOTs), the line item is increasing significantly. The MWRA may be the only entity that pays 100% of the PILOT value. It will never go down and continues to go up. The Authority has little direct control. To that end, the Advisory Board is proposing a committee to explore options, bringing together the stakeholders, including the state, the Department of Revenue, communities, the MWRA and Advisory Board staff. Mr. Favaloro noted that it has gone from \$7 million in 2010 to \$7.8 million in FY13 and in FY14 it will go to \$8.2 million without any restraints directed toward it. The idea is not to get out of paying PILOTs, but rather to find a way of restraining that growth, be it how land value is determined or things of that nature.

Mr. Romero noted that the Authority continues to have funds in its CIP for acquiring lands around the watersheds to continue to ensure that the water quality is maintained. Staff is proposing that instead of just providing \$5 million to be spent on whichever parcels of land become available, rather a “top ten” list of “priority one” parcels should be developed by the Division of Water Supply Protection and if any of these properties becomes available, they can be purchased. This discussion would be conducted in Executive Session so that it is not known which parcels are the most desired. J.R. Greene noted that these newly acquired pieces of land would be subject to the PILOT program and will add to the PILOT costs. MWRA Chief Operating Officer Michael Hornbrook said they would be added to the PILOT program unless conservation water restrictions are purchased instead. If it is under the restriction program, there is no PILOT paid.

Mr. Romero said the Advisory Board recommends that green recertification of the forestry program should be pursued.

Recently, negotiations have been undertaken with Tri-Town (Braintree, Randolph and Holbrook) regarding the potential of joining the MWRA water works system. The MWRA and Advisory Board had agreed to allow entrance fees to be spread out over 25 years, with a deferred payment for the first three years. Still, no agreement has been reached. The Advisory Board is suggesting that a sunset provision be created on the new entrance fee formula.

The Board of Directors recently received a presentation on a septic site that had been receiving a high volume of unacceptable materials in the form of industrial strength rags that are clogging up the MWRA’s equipment. The Advisory Board recommends that a task force be created because if this problem exists at one site, it may exist at others. The task force could determine if there is a need to increase the penalties and fines to discourage people from disposing of these types of materials in this manner.

The Authority is already putting together an education program to make sure that the communities with the septic sites within them have access to the guidelines and rules.

George Burnell asked what the Authority’s unfunded OPEB liability is at the moment. MWRA Director of Administration and Finance Rachel Madden stated that the OPEB liability is currently \$192 million. Mr. Burnell stated that the cost the MWRA is incurring is less than the payments it is making and he believes that is wrong. Mr. Favaloro noted that the Advisory Board has endorsed a letter that went to the governor and the legislature supporting changes to OPEB that could reduce the Authority’s obligation by \$40 to \$60 million. The current

strategy is to link the pension and OPEB costs as one liability and when the pension is funded at 100%, the OPEB obligation will begin to be paid down.

Operations Committee – Lou Taverna

❖ **STATUS: WATER RATE METHODOLOGY DISCUSSION**

Mr. Favaloro noted that Operations Chair Lou Taverna is recuperating from knee surgery. With his absence, as well as the absence of Bernie Cooper, staff has taken a step back on the water rate methodology discussions. The tentative plan is to resume this topic in September to allow all of the key players the opportunity to participate in the continued discussions.

Additionally, MWRA has wastewater meters throughout the system. They also have 600 sections of the system where flows are estimated based on scaling factors that have been in place over the years. Since flows change over time, the MWRA, with the Advisory Board's concurrence, believes it is time to go back to those unmetred sections and do an analysis to determine if the scaling factors are still correct.

Steps to be considered were provided to members. An Operations Committee meeting will be held prior to next month's Operations Committee meeting to discuss this topic for a vote at the Advisory Board meeting.

Executive Committee – Katherine Haynes Dunphy

❖ **PROCESS / TIMELINE TO ELECT AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS**

The annual election for an Advisory Board representative to the MWRA Board of Directors will be held next month to fill Joe Foti's seat. Mr. Foti has indicated his desire to run for re-election. The process is open to any and all designees. A letter of intent and resume must be submitted to the Advisory Board by May 8, 2013. The Executive Committee will once again serve as the Nominating Committee. A vote will be held at the May Advisory Board meeting. This is one vote per community; it is not a weighted vote. A quorum of 33 voting members is required.

❖ **LEGISLATIVE UPDATE**

The Governor's Budget did not include Debt Service Assistance (DSA). The House has included \$600,000 for DSA in its budget, which is good news. Over the last few years, staff has been successful in receiving funding from the House and Senate; however, it is usually one of the first things that the governor 9c's.

The language relating to the Clinton Wastewater Treatment Plant is included in the budget. Staff continued to work to receive chemical reimbursement monies through another line item; however, it is unclear whether anything had been included at this point.

❖ **ECONOMIC DEVELOPMENT REPORT**

The Economic Development Report is moving toward completion. Staff hopes to have the draft report before the Executive Committee next month and a presentation to the full Advisory Board shortly thereafter.

❖ **OTHER**

MWRA Executive Director Fred Laskey stated that the incident that occurred on Patriot's Day had no direct impact on the MWRA's infrastructure but it served as an opportunity to reflect on what worked and what didn't work. Staff was able to use its contacts with the State Police to find out what was going on and what staff should worry about. Prior to this event, it had been worked out with the State Police that in certain elevated circumstances that they would automatically deploy to certain locations.

Unbeknownst to the MWRA, the State Police were already at the Cosgrove Intake in Clinton and had moved at Quabbin to shut that down. Troopers were in Weston and at the Gillis Pump Station. One thing that did impact the MWRA was that the cell phone service went down; however, staff does have backup radios and the text and email features also worked as well.

Mr. Laskey noted that Michael Hornbrook came in and opened the Emergency Operations Center to ensure that someone would be in place if something did happen. Overall, in terms of the MWRA, it was uneventful.

Mr. Laskey also noted that the MWRA has a sophisticated real-time automated monitoring system for contamination of the water system and if something reaches a certain threshold, it will notify personnel so there can be a quick response.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:11 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

William Hadley, Secretary