



Advisory Board Meeting

Thursday, March 20, 2014
11:30 AM

Wellesley Free Library
530 Washington Street
Wellesley, MA

Attendees (Voting Members)

M. Rademacher	Arlington	Andrew Fisk	Gubernatorial	Bernie Cooper	Norwood
Peter Castanino	Belmont	Ed Demko	Hingham	Mike Coffey	Quincy
John Sullivan	Boston	Bill Hadley	Lexington	Jeff Zager	Reading
Jay Hersey	Brookline	Amy McHugh	Marblehead	Brendan O'Regan	Saugus
Tim MacDonald	Cambridge	Katherine Dunphy	Milton	John DeAmicis	Stoneham
Andrew DeSantis	Chelsea	Thom Donahue	Nahant	Jack Mitchell	Stoughton
J. R. Greene	Gubernatorial	John Cosgrove	Needham	Walter Woods	Wellesley
Barbara Wyatt	Gubernatorial	Lou Taverna	Newton	Joe Lobao	Wilmington

Other Attendees

Michael Bishop	Belmont	Phil Jasset	UCANE	Joseph Favaloro	AB Staff
Joe Welch	Norwood	Andreae Downs	WAC	Matthew Romero	AB Staff
W. Shaughnessy	Wellesley	Lexi Dewey	WSCAC	Travis Ahern	AB Staff
John Carroll	MWRA BOD	Kathy Soni	MWRA	Cornelia Potter	AB Staff
A.Pappastergion	MWRA BOD	Dave Whelan	MWRA	Mary Ann McClellan	AB Staff
Joe Foti	MWRA BOD				

Forty people were in attendance, including twenty-four voting members.

MINUTES APPROVED AT THE MAY 15, 2014 MEETING

**ADVISORY BOARD PUBLIC HEARING ON
MWRA'S PROPOSED FY15 CURRENT EXPENSE BUDGET¹**

Chairman Katherine Haynes Dunphy called the Public Hearing to order at 11:37 a.m. Chairman Dunphy read the official notice of the public hearing for the record: The MWRA Advisory Board will hold a public hearing on Thursday, March 20, 2014 at the Wellesley Free Library, 530 Washington Street, Wellesley, MA at 11:30 a.m. on the components of the Authority's proposed \$683.3 million FY15 Current Expense Budget. The Authority must adopt the proposed budget on or before June 30, 2014. The Advisory Board is empowered by statute to make comments and recommendations on the proposed budget. Copies can be examined at the offices of the Authority at 100 First Avenue in Charlestown. Written comments received at the office of the MWRA Advisory Board, 100 First Avenue, Building 39-4, Boston, MA 02129-2043 or via email at mwra.ab@mwra.state.ma.us, no later than May 6, 2014, will also be considered.

MWRA Advisory Board Executive Director Joseph Favaloro introduced elements of the CIP/CEB through the Advisory Board's "Green Sheet" video, which was played for the audience. In the video, Advisory Board Finance and Policy Analyst Travis Ahern provided an overview on the Proposed FY15 Operating Budget or CEB and capital plan, which is referred to as the CIP.

The Advisory Board is statutorily required to provide *Comments and Recommendations* on the Authority's proposed budget and policies after a review of no less than sixty days. Advisory Board staff is currently meeting with Authority staff and reviewing the proposed budget. In May, the Advisory Board will transmit its *Comments and Recommendations* to the Authority for review and response.

The Proposed FY15 Current Expense Budget is proposed to have a 1.8% increase in total operating expenses. Capital financing makes up 61% of the total expenses. The document proposes the use of \$1.3 million in bond redemption funds for FY15 to help lower the impact of debt service on total expenses, resulting in a 3.8% overall increase. Bond redemption is one of two types of funds used to lower the rate assessments. Rate stabilization funds can either reduce expenditures, in which case it is called bond redemption or it can be used to increase non-rate revenue.

On the revenue side, FY15's use of rate stabilization is proposed at \$7.9 million, an increase of \$4.4 million from FY14, which factors in to keeping the rate revenue to a proposed 3.6% increase for FY15. This is the proposed increase for a combined rate assessment, which is passed onto the communities and subsequently the ratepayers.

The Advisory Board takes a "find every dime" approach to all aspects of the proposed CEB and a much more detailed review will be available to the public through the *Comments and Recommendations* document in May.

On the capital side, CIP planning is typically looked at in five-year cap periods. FY15 is the second year of the current cap period (running from FY14 to FY18). A more detailed explanation of how the CIP spending cap works will be covered in future editions of the "green sheet." At this point in the review process, it is important to view CIP planning in terms of Projected FY15 spending and impacts on future CIP spending

FY15 spending is projected at \$126.6 million and many of the wastewater and waterworks sub-categories show changes from year-to-year. Changes in categories, such as wastewater treatment, are not particularly meaningful in terms of the larger CIP planning process; they simply represent the timing of certain projects. Some changes, however, such as CSO spending, are indicative of larger trends, with CSO spending beginning to taper off as court-mandated projects are completed.

Finally, Business and Operations Support, also known as Administration, shows the largest proportional increase, which is due to exciting work coming "down the pike" in terms of updating systems and continuing automation.

The FY15 CIP process has also seen new projects added to the long-term CIP plans totaling an additional \$52 million in future spending; however, these projects will not actually impact CIP spending in FY15, with all of this planned spending projected for the FY14 through FY18 cap period and beyond. The first two projects on this list, related to the Deer Island Treatment Plant, are scheduled to begin design in FY16 and construction in FY18 or later while Prison Point rehabilitation and Cottage Farm construction are projected to begin in FY17.

Finally, Co-Digestion has been added to the CIP schedule but is contingent on a number of factors, namely how the pilot program progresses. Co-Digestion in this instance shows how forward thinking the Authority has to be in the CIP process, adding projected spending that will only come to fruition if the pilot program is successful.

Changes made to projected future spending during the FY15 CIP process include actual bids being lower than expected when projects were originally planned – which was the case for Weston Aqueduct Supply Mains (WASM) 3 and the Nut Island Grit/Screen Conveyance Design, saving the Authority money in total projected costs. Also, updated cost estimates have increased projected costs for a number of significant projects, including the Cambridge Sewer Separation, Butterfly Valve Replacements at the North Main Pump Station and Winthrop Terminal, and the cryo chiller replacement at Deer Island.

Schedule shifts have also been taken into consideration, pushing \$35 million dollars in projected spending out beyond FY18.

Other changes are also made to factor in inflation. It is important to note that pushing projected spending farther into the future adds to the assumed costs, as inflation calculations begin to add up.

In April, the Advisory Board staff will produce its *Integrated Comments and Recommendations* document, which will be up for a vote at the Advisory Board meeting in May. At the first MWRA Board of Directors meeting in June, Advisory Board staff will present the *Integrated Comments and Recommendations* with responses from the Authority staff; then, at the second June Board meeting, the Board of Directors will vote on the final FY15 CEB and CIP.

Further information on these topics can be found on the Advisory Board's website at www.mwraadvisoryboard.com.

Andrew Fisk stated that the green sheets are very helpful and it is a great use of technology.

MWRA Advisory Board Executive Director Joseph Favaloro noted that the MWRA will be holding its Public Hearing on April 1, 2014 at Boston City Hall at 6:30 p.m.

Hearing no further comments from members of the public, a motion was made **TO CLOSE THE PUBLIC HEARING AT 11:47 A.M.** The motion was seconded and passed by unanimous vote.

Advisory Board Meeting

A. APPROVAL OF THE JANUARY 16, 2014 MINUTES OF THE ADVISORY BOARD

Chairman Dunphy called the MWRA Advisory Board meeting to order at 11:47 a.m. A motion was made **TO APPROVE THE JANUARY 16, 2014 MINUTES OF THE ADVISORY BOARD.** It was seconded and passed by unanimous vote.

B. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Favaloro noted that the American Water Works Association is holding its Annual Conference and Exposition here in Boston at the Convention Center from June 8 to June 12, 2014. It is a premier water event and up to 14,000 people are expected to attend from the United States and from throughout the world as well. MWRA and BWSC are two of the three chairs of the host committee. Many presentations will be made by both organizations.

C. PRESENTATIONS:

IMPACTS OF RAGS AND WIPES IN WASTESTREAM / TOXIC REDUCTION AND CONTROL (TRAC) UPDATE – Carolyn Fiore, Deputy Chief Operating Officer, Programs, Policy & Planning, John Riccio, Director of TRAC, Carl Pawlowski, Manager, Residuals Operations

Deputy Chief Operating Officer Carolyn Fiore stated that the Toxic Reduction and Control (TRAC) Department at the MWRA is responsible for the pretreatment program, which is regulating the industries. Under the Clean Water Act, a pretreatment program is required for publicly owned treatment works (POTWs) that are greater than 5 million

gallons per day (MGD) to prevent pass-through of pollutants into receiving waters, to improve opportunities to recycle and reclaim municipal and industrial wastewaters and sludges (such as molybdenum, which is a metal that is contaminating sludge and staff is trying to determine the best way to deal with that issue).

The pretreatment program works to prevent interference with operation of the treatment plant, including protecting worker health and safety. Required elements of the pretreatment program include regulations and local limits, industrial surveys, industrial waste inspections, issuing permits, monitoring effluents and enforcement when limits or permits are violated.

The MWRA system has 1,158 permitted facilities, with 212 designated as “significant users,” based on a federal definition that has been adopted into the MWRA’s regulations. In FY13, staff conducted 953 inspections and took 323 enforcement actions. Monitoring events at various facilities totaled 3,073. In addition, TRAC does some CSO monitoring and other monitoring as necessary throughout the system. Currently, the pretreatment program has some challenges that include molybdenum, permit fee methodology, issues with “flushable” wipes clogging pumps and the Pretreatment Information Management System (PIMS).

Residuals Manager Carl Pawlowski stated that when EPA had to regulate biosolids, which is what the pelletized fertilizer is, they did a very comprehensive risk assessment and studied all of the contaminants that might be in biosolids. One of the contaminants was molybdenum, which had a tricky parameter for EPA to regulate. EPA came up with a number of 75* milligrams per kilogram (mg/Kg) but added an asterisk to the number, which stated that EPA would revisit this limit. Shortly thereafter, MA DEP did its own risk assessment and they came up with a limit of 25 mg/Kg and a 10 mg/Kg limit for grazing land. The threshold limit of 25 mg/Kg is the number that the MWRA has an issue with. MA DEP said it would review its limit after EPA finalized its limit.

Molybdenum is a problem because it causes molybdenosis, which is a disease that affects ruminants. Ruminants are animals that have two stomachs, mostly cows, but also sheep. The issue with molybdenum in cattle is a ratio of copper to molybdenum. If that ratio falls below ten to one, it can result in a copper deficiency in cows causing health problems and they could eventually die. The worst case scenario in the product that MWRA and the New England Fertilizer Company (NEFCo) distribute is a ratio of 21 to 1 mg/Kg.

The MWRA has issues with molybdenum because it is a substance that is used as a corrosion control inhibitor in cooling towers. The issue is seasonal, with office buildings using cooling towers in warmer weather it results in more molybdenum in the system.

Because the MWRA’s pellets do not reach the 25 mg/Kg DEP limit, the pellets cannot be sold in Massachusetts during the warmer months.

EPA never came back to revisit its limits because at 75 mg/Kg, it wasn’t causing any problems. DEP just recently had an opportunity to adjust its limits but opted to leave it at 25. MWRA now has to make a decision on what to do about its product and how it will prevent molybdenum from getting into the system.

John Riccio, Director of TRAC, said that TRAC plans to identify the sources of the problem. There are approximately 5,000 unregulated cooling towers within the MWRA district, other industry sources contribute to the problem as well (chromating baths), along with stormwater runoff (contaminated from sources containing molybdenum, such as brake pad dust, motor oil from garages and bus washes). TRAC is assisting Deer Island by calculating the influent by taking more samples so it will have a more representative reading of what the influent load is at Deer Island, which will ultimately end up in the pellets.

MWRA staff, including engineers, scientists, treatment plant operators and lawyers, has assembled to look at the molybdenum issue to try to “brainstorm” on ideas to help with the ability to bring these pellets to market.

MWRA could seek a variance from DEP on this limit or seek a rule change to adopt the federal limit of 75 mg/Kg. Another option is an education program and other outreach, like the “Fats, Oils and Grease” and “Wipes” mailings that MWRA has done. Staff could ask that the industries/buildings switch to a non-molybdenum based corrosion inhibitor; however, phosphorous-based corrosion control could also present its own problems.

The MWRA could ban all discharges from cooling towers, boilers and other industrial sources. Local limits could be developed for industries on the amount of molybdenum that can be discharged to the sewers. Further, the pellets can be marketed outside of Massachusetts. Staff considered providing “salt licks” to customers that would be utilizing the pellets for grazing lands. The salt licks contain copper, which counteracts the effects of molybdenum. The pellets could also be segregated during the months that have high molybdenum content and market those outside of Massachusetts.

Staff will continue to review the data. Legal staff is investigating the mechanics of a rule change with DEP. An outreach is underway to chemical manufacturers to get an idea of what people are buying/using within the MWRA district. Solutions range from very little cost to very expensive. If staff does promulgate regulations, it will require monitoring, sampling and enforcement, which will require staff time and resources.

On fats, oils and greases (FOG), there are 7,000 restaurants in the district, which are not permitted by MWRA. Inspections are done by local Boards of Health. In the municipal permit, towns are responsible for informing the MWRA about blockages. A current plan is to try to get municipal officials meetings to discuss the TRAC program and how it can be improved. Information can be shared. FOG aids in the agglomeration of the flushable wipes, which are supposed to decompose and staff finds that is not happening. Portland, Oregon has filed a lawsuit against the manufacturers of “flushable wipes” based on false advertising.

The Braintree-Weymouth Pump Station had a problem with this back in February from a rag accumulation that clogged the pumps and grinders. The operators installed temporary screens to try to prevent this from happening. A blockage could lead to an overflow, which would be a permit violation.

A periodic review of the permit fee methodology is necessary to look at the types of fees and whether they are appropriate, or whether a targeted review is necessary on the industries that are creating the most problems for the MWRA.

Mr. Riccio said the PIMS system has been difficult to work with and the technology needs to be updated to do electronic reporting to EPA. Additionally, industries will be able to send their data electronically to the MWRA.

D. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ PREVIEW: ADVISORY BOARD FY15 CIP/CEB REVIEW PROCESS

Director of Communications Matthew Romero stated that the *Integrated Comments and Recommendations* and our view on rates really have to be made in a broader context. Staff wants to ensure that its short-term strategies

are consistent with its long-term goals. There has been talk about rates management and the concept of a multi-year horizon, because the challenge is not just yanking the next year's rate increase down, because that would result in a higher increase for a future year.

In its recommendations, staff is challenging the Authority to "four no more." In looking at the upcoming years, in particular FY16 to FY20, all of the rate increases are over 4% in varying degrees. In the multi-year view, staff believes that the Authority must bring those rate increases down below 4%, at a minimum. If the MWRA is able to do this, the Authority would be able to say it has kept rates under 4% for ten years.

For the FY15 CEB, staff recommends continuing to aggressively defease debt. One of the tools that the Authority is using is the defeasance account strategy to defease debt. It is also important to preserve the rate stabilization funds for upcoming years because as the reserves are released, a lot of investment income that is generated from these reserves will begin to deplete. Then investment income will go down. Rate stabilization funds must be used strategically to manage rates moving forward.

The Advisory Board has two members that served on the Long-Term Rates Management Committee to help to determine the best use of the released reserves. As the release of the reserves gets closer, the Committee should review whether the strategies previously considered are still the best use of these funds.

Staff is making tweaks to the FY15 budget as opposed to slashes by reviewing the budgets with a critical eye to see where the dollars can be reduced. Staff plans to back out of the use of \$7.9 million in rate stabilization funds for FY15 to move toward the goal of preserving the rate stabilization funds for future years.

In the past, the Authority and the Advisory Board have always struggled with what to do with the Debt Service Assistance (DSA) line item. Staff would like to thank the Legislature for providing DSA; however, the Governor typically included DSA in the budget reduction authority given to him under MGL Chapter 29 §9C. The Authority, rightfully, did not want to include a source of funds in its budget that it could not count on until the funds were actually received. Staff is recommending a new approach that would give credit to the legislators who have helped to provide DSA but also speaks to the MWRA's need to physically have the money. For example, in FY14, of the \$1 million DSA budget, the Authority will receive about \$854,000. When it is received, the Authority should use those funds to directly reduce the rate revenue requirement for FY15; this would bring the 3.6% rate increase down to 3.4%.

The Authority can then tell the legislature that anytime it provides DSA funds in the future, it will directly reduce the following fiscal year's rate revenue requirement, which will provide a direct benefit to the ratepayers.

For the proposed FY15 CIP, staff will reiterate its intention to exclude the community assistance programs from the cap calculation, particularly in regard to the Inflow/Infiltration (I/I) Program. As discussed at prior Operations Committee/Advisory Board meetings, there is a plan to double the size of this program to \$80 million per phase for Phases 9 and 10. The Proposed FY15 CIP did not include funds for this increase because the proposal was made after receipt of the proposed budgets. Advisory Board staff is using its *Integrated Comments and Recommendations* to affirm the changes that the Operations Committee had discussed and that the Advisory Board voted on as well.

Another recommendation is to double the amount of time for paying back the loan portion of the program (from five years to ten years) since the amount of money is being doubled. This would be consistent with the water program, which already has a ten-year repayment schedule.

Staff is also looking for feedback on whether the current 45% grant/55% loan is the right split for this program.

Staff is taking a two-pronged approach on current revenue for the capital program. It is looking into a general recommendation to potentially reduce this line item to help to back out of the use of rate stabilization funds. Further, staff would like to identify a specific project to fund with cash, with a specific source of funds.

The scope of a project can change for various reasons causing under-spending and pushing projects further out. The Advisory Board recommends that the Authority have “shovel-ready” projects or stand-alone projects that are ready, designed and could be slotted in if a project has to be moved out.

With regard to policy issues, staff reiterates the Authority’s goal to make the sale of pellets in Massachusetts a priority by finding a way to deal with the molybdenum issue. Staff recommends reducing molybdenum at the source, increasing the TRAC fees or finding a way to adjust the DEP regulations slightly.

The Advisory Board’s document will be put together in April, voted on by the Advisory Board in May and will be before the MWRA Board of Directors in June.

Executive Committee – Katherine Haynes Dunphy

❖ LEGISLATIVE UPDATE

Mr. Favaloro stated at the end of February, Senate Bill 2021, *An Act Improving the Drinking Water and Wastewater Infrastructure*, was approved by the Senate. It included principal forgiveness on connection costs, entrance fees on a one-to-one match and I/I reimbursement for the Authority, subject to appropriation and \$50 million of additional borrowing capacity for the Commonwealth, which breaks down between 0% and 2% in principal forgiveness loans depending on the type of project. Green infrastructure projects would be eligible for principal forgiveness.

The one thing the Senate added, and the Advisory Board as an entity has not taken a stand on, an infrastructure investment fund. By local vote, communities would be able to assess up to 3% for a local infrastructure tax, which then can be used to repair the water/wastewater systems and stormwater issues. This would have to pass the House and Governor as well. The House has been more reluctant to adopt anything that looks like a tax increase.

Mr. Favaloro noted that including BWSC, Cambridge and Canton, MWRA and its communities received \$950,000 of the \$1 million in DSA for FY14. DSA for FY15 may increase slightly.

Andy Fisk noted that the bill had provisions on the Inter-Basin Transfer Act and that all went away. The Water Resources Commission (WRC) has said that they will engage with the rule making around the Inter-Basin Transfer Act. Are there any observations or comments on this? Mr. Favaloro said neither the Authority nor the Advisory Board has significantly pushed to have that language reinserted. In terms of the WRC and the rule making, we won’t know until a community undertakes the effort to join the MWRA system. There is a new Commissioner at DEP and previously he held the position that he is a staunch proponent of “smart growth” and the Authority having a very active role in “smart growth” through the process of expansion. Mr.

Favaloro said he has no issue with smart growth, but it should be up to the community, rather than the MWRA, on what is “smart” for their community.

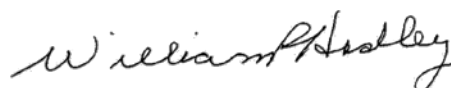
❖ **PROCESS AND TIMELINE TO ELECT AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS**

Election for the Board of Directors will be held in May. John Carroll’s term expires on June 30, 2014. A quorum of 32 voting members will be needed.

E. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:04 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,



William P. Hadley, Secretary

¹ Incorporated into the regular Advisory Board meeting, the Advisory Board will hold its statutorily required Public Hearing on the MWRA’s Proposed \$683.3 million FY15 CEB.