EXECUTIVE COMMITTEE MEETING
FRIDAY, FEBRUARY 12, 2010
ADVISORY BOARD OFFICE
Minutes Approved at the March 12, 2010 Executive Committee Meeting

Present: John Sullivan, BOSTON; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Katherine Dunphy, MILTON; Jeff Zager, READING; Carol Antonelli, SOMERVILLE; Zig Peret, WILBRAHAM.

Also in attendance, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter, Matthew Romero, Christine Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Welcome

Chairman Katherine Haynes Dunphy called the meeting to order at 8:45 a.m.

II. Report of the Executive Director

MWRA Advisory Board Executive Director Joseph Favaloro stated that after last month's discussion about a staffing study our three Board members, John Carroll, Andrew Pappastergion and Joseph Foti, sent a letter to the MWRA Board of Directors asking them to put the topic on this month's agenda. The Board met on Wednesday and the vote was to request staff to return to the Board within sixty days with a recommendation, including costs, for undertaking a new study on MWRA staff levels.

Additionally, Mr. Favaloro provided members with a copy of the "Auditor's Report" on the North Dorchester Bay Odor Control Facility. The Auditor determined that he wanted to take a look at the circumstances that provided this facility to be placed underground. In the report, the MWRA Advisory Board comes across as doing its job. The final result of the Auditor's Report was accepting that "things happen" and the audit didn't really go anywhere.

III. Status of FY11 Rate Revenue Requirement and Update on the FY11 CIP Review Process

The good news to report on the FY11 assessments is that the Advisory Board was able to shake things up this year. At the September meeting, staff recommended that the MWRA have a $0 increase for the Current Expense Budget (CEB) and that the preliminary rates should be the final rates because times are incredibly difficult for cities and towns; if there was ever a year to give them a break, it would be FY11. By January, there had already been three discussions on where the CEB should be. Chairman Dunphy attended some Board of Directors meetings and all of us were engaged in a good dialogue.

The final assessment ended up being a compromise. The Advisory Board pushed hard for the zero and MWRA came from 6% down to 1.7% and finally to 1.49%.

Unless somehow Debt Service Assistance (DSA) were to come through, the Advisory Board has committed to the 1.49% for FY11, the lowest increase in 15 years, and will not seek to reduce it. Staff would like to emphasize that projections for both FY12 and FY13 stay under 4% as their starting points.

Chairman Dunphy said the Advisory Board produces written *Comments and Recommendations* on the CEB and CIP; what will staff's intent be for that document? Mr. Favaloro said the review of the CEB actually started as part of the FY10 CEB process. Staff recommended a reduction of $100 million from the CEB and $100 million from the CIP over the four-year period, which could be accomplished by a series of tools that the Advisory Board provided. Staff will be looking at where the MWRA is in FY11 and how they got there in relationship to the use of the Advisory Board's "toolbox". After that analysis, staff will carry forward to look at the tools and ideas and concepts and begin to hone in the tools that will work for FY12 and FY13.

On the CIP, the starting point will be the same; the Advisory Board's toolbox on the CIP side versus where MWRA is at. The CIP is still a work in progress.

Cornelia Potter added that staff expects to spend some time on the next cap period. MWRA has increased its planned spending in the proposed FY11 budget for the period between FY14 to FY18 by nearly $200 million. Advisory Board staff wants to begin to point out boundaries around those years even though it is actually too soon to do that in the cap. As the Authority completes the mandatory programs, particularly the CSO Program, a real emphasis will be placed on asset protection and maintenance and major projects, such as dealing with the pellet plant and its future technology, long-term water redundancy and the West Roxbury Tunnel.

IV. Advisory Board Lease Options

Mr. Favaloro said last month staff provided the Executive Committee with the results of the survey of the Executive Committee on likes/dislikes, desires and opinions relating to perception, functionality and cost regarding the Advisory Board's location. The Advisory Board has been at either 6 or 11 Beacon Street for its entire existence. The lease for 11 Beacon expires at the end of September and the landlord is looking for a significant increase. Staff looked at options in the North Station area, downtown and at various MWRA facilities.

A determination must be made soon in order to put the Advisory Board's FY11 budget together. Based on nearly twenty places that staff has visited it has been narrowed down to four options, including a location at North Station, a location near Faneuil Hall, one in Charlestown and one in Chelsea, which is the MWRA option; 11 Beacon Street has been eliminated as an option.

Currently the Advisory Board pays $47,000 rent annually for 11 Beacon Street, plus operating expenses and tax clauses. There will be operating costs and tax clauses at all of the locations (except Chelsea); however, to compare apples to apples, only the rents were used for the comparison. Based on Mr. Favaloro's negotiations with Mr. Miller, costs would increase between $10,000 to $12,000 on the base budget of the Advisory Board for a three to five-year lease at 11 Beacon. The location at North Station is currently at $23 to $25 per square foot. Based on the amount of square footage there is a $5,000 to $9,000 increase to the Advisory Board's budget. The downtown location would have the same increase.

Since the Executive Committee last met, another option materialized – the fourth floor of Charlestown. MWRA occupies the first three floors and the fourth floor has been empty for about five years. The landlord has become aggressive in pursuing the Advisory Board.

It is an 18,000 square foot space and is somewhat attic space with skylights going across; there are no windows. There are a lot of open beams and brick. The landlord has segregated out a corner of the building of about 2,600 square feet and has offered it in the $17, $18 and $19 range. Negotiations are still underway because the Advisory Board doesn't need 2,600 square feet. The other issue that occurs in Charlestown is they have a parking garage, which is five to six blocks away; subsidized parking would be available. Additionally there is an empty lot next to building 39 and the landlord has committed 15 spots in this lot for Executive Committee days at no cost. Under this scenario, it is anywhere from a $7,000 to $12,000 reduction from the existing budget. (Caveats being that the operating expenses and tax clause are unknown at this time). Staff is pushing for 2,100 square feet, but the 500 square feet is still in play.

Mr. Favaloro said the last option is the Chelsea Operations Center. It is approximately 2,000 square feet and the costs associated with that are clearly the lowest – no cost.

In any of these scenarios there will be moving costs. If the Advisory Board moves to a space it pays for, there will also be costs associated with moving telephone and computer systems. A move to Charlestown would be simplified because the lines are already there. A move to Chelsea is even more simplified because we would be inside where the lines are.

John Sullivan said the staff wouldn't have to pay for parking at Chelsea but would have to pay in Charlestown. Mr. Favaloro said one member of staff has access to spaces because of a placard. Further, in discussions with Bob Kenney, the landlord, there may be one space available in the empty lot for an Advisory Board vehicle, which would become eligible for a staff member that wants to drive. Some members of staff would likely walk to work or take public transportation.

Mr. Sullivan said in a longer-term look, there may be staff that drives. Mr. Favaloro said he would discuss with Mr. Kenney subsidized parking in the garage, as the MWRA does; it ends up costing $10 per day.

Mr. Sullivan said, in looking at the disparity of the prices, the Advisory Board could save $47,000 or $12,000; $47,000 is a lot of money. What are the advantages and disadvantages of these locations? Mr. Favaloro said if you are looking at Chelsea, it becomes a discussion about identity. The Advisory Board would have a designated space within the Chelsea facility but should the Advisory Board be that close to the MWRA? Mr. Favaloro said for members of staff, himself included, it would be a significant change on how they get to work. Mr. Sullivan said if we got a vote from the staff, we would probably be looking at First Ave. Mr. Favaloro said there are two members that drive so it may be split right down the middle. There is a bigger impact for some members of staff if we were to make a complete break and move to Chelsea.

For Charlestown, the moving piece is if we get a good five-year lease, what is the next five going to look like and the five after that. Even at 11 Beacon, over the years the rate has gone from $17 to $30+ when the market indicated. Any of these landlords can be very aggressive in attracting you but the reality is, once you move, you have to recover your costs so you are not going to move in two or three years or five years, you are in it for the long haul. The only one that is locked in is Chelsea.

Jay Fink asked what MWRA's rate is in Charlestown; what has that done over the last fifteen years? Mr. Favaloro said the MWRA has five-year extensions and their rate is in the $25+ range. The irony is that the Advisory Board was aggressive as a staff with Kate Murray to really push them to renegotiate their leases; they did renegotiate and were able to get rates in the mid-twenties. Discussion that came up was what happens if MGH decides they want to rent the whole floor, what happens to the Advisory Board? Mr. Kenney said he would write in language that says in the event that he needs the space that they will find us comparable space at a comparable price in the Navy Yard, on his dime.

This whole dialogue changes if Mr. Kenney comes back and says it is 2,600 square feet; the numbers wouldn't work anymore. Staff went to look at the space. Mr. Favaloro said he didn't want to say it is uneasy, but it is a little weird to walk off the elevator and there is 18,000 square feet, of which 16,000 is empty.

Mr. Fink said how would you get to Charlestown from here? Mr. Favaloro said you can walk or take the MGH bus that picks people up on Staniford Street and brings them to the Navy Yard at no cost. A third option is a bus during mid day that goes directly down First Avenue and on the off hours is right outside of the Navy Yard that goes from Sullivan Station to downtown with stops at Haymarket and the Washington Street area. A fourth option is the orange line to Community College and then a six to eight minute walk or North Station and over the bridge to Charlestown.

Bill Hadley said I think it looks like we are down to two options. If being independent is a big factor then First Avenue would be the option but looking at it from a ratepayer perspective and saving $47,000, they may say why didn't you go to Chelsea? If First Avenue is the choice, there better be a good argument for it and why it is worth $47,000 to be independent.

Mr. Favaloro said the Advisory Board's budget scenarios are not pretty. Step increases for staff, which do not include COLAs, were phased in for FY10 six months into the fiscal year, which means if nothing were to change in FY11 that a minimum $10,000 additional component for Wages and Salaries is needed. When you then load in steps, even if they are phased in for the year that increases upon that $10,000, which is significant.

Further, for FY10, $9,000 for interest income was assumed; through the end of January, the Advisory Board has made $1,900 in interest resulting in a $7,000 hit. For FY11, staff can't assume more than $2,000 in interest income and doesn't even speak to other line items. Clearly the $7,000 to $12,000 would help significantly and the $47,000 would really help.

Mr. Fink said when you go to Chelsea, how do you get there? Mr. Favaloro said we drive. There is also a shuttle at different parts of the day from Maverick Station (on the blue line) into Chelsea. Additionally there is a shuttle that runs from Charlestown to Chelsea and from Chelsea to Charlestown. The major difference for Chelsea is that there is ample free parking.

Over the last five to six years, the Advisory Board has worked hard to keep the budget increases in the 1 to 2% range. Mr. Fink said the budget will take a hit because of moving expenses. Mr. Favaloro said the capital account, which the Executive Committee approved a few years ago, which is meant to be used for replacing computers, the copier, etc. over the next five years, will be used for moving.

Bill Hadley said he is comfortable with the Charlestown site, with the stipulation that it is not 2,600 square feet.

Chairman Dunphy said should the Advisory Board have to move from Charlestown, is staff comfortable that you would still stay in the same neighborhood and would have a permanent solution. Mr. Favaloro said it would be stipulated. He will come back next month with a recommendation.

V. Legislative Update

Staff met last Friday with the Chairman of House Ways and Means and MWRA will not be getting Debt Service Assistance (DSA). A good discussion was held related to torte liability now that Massport, the MBTA and others have limits on exposure for insurance claims. The MWRA may be in line, finally, to get that.

Additionally, Clinton continues to be an issue in the sense that the Governor once again consolidated all the line items in his budget so it is unknown if the $500,000 reimbursement for Clinton exists or not. The legislature will clarify the $500,000 reimbursement for Clinton.

This year staff was notified that the fringe rate for the Division of Water Supply Protection (DWSP) personnel was going up to approximately 34%. That would mean that Jonathan Yeo's health insurance would cost the MWRA somewhere in the vicinity of $41,000. The fringe rate has been an issue of this office. About eight or nine years ago, not only was the MWRA paying at that time a fringe rate of 20+%, but also an indirect rate of 20% as well. The Advisory Board argued that the fringe rate and the indirect rate were the same thing. At that time, Senator Brewer, working with the Advisory Board, wrote language that eliminated the indirect rate and also included the fringe rate in that.

With new staff at Administration and Finance and the Comptroller's office, this discussion came up again; they have ruled, until the legislation changes, MWRA does not have to pay the fringe rate at all.

At the Trust meeting, someone said "why don't we just tell them that we are going to pay the fringe rate?" to which Chairman Dunphy responded no. For the first time MWRA has the advantage. Mr. Favaloro suggested that this advantage could be used minimally for actual costs for insurance. Further, it could be used to push to move the DWSP into the MWRA where it belongs or to get the state to take over the Clinton Wastewater Treatment Plant.

VI. Budgetary Impacts of Proposed Changes to the Clinton Wastewater Treatment Plant's National Pollutant Discharge Elimination System Permit

Mr. Favaloro stated as part of the discussions between the Authority and EPA, they are looking at restrictions on phosphorous levels that are allowed out of the plant. This means the potential of up to $2 million in capital costs on the plant itself and operational increases of $100,000 to $200,000 per year. This has been a hot button issue for the Coalition that the Advisory Board is now part of. Phosphorous is one of the issues that EPA has been nailing communities on. Michael Hornbrook and John Vetere will be at the Advisory Board meeting on Thursday to discuss where the Clinton Wastewater Treatment Plant is as relates to these issues.

Another item on the Agenda is that EPA has put together new stormwater regulations. The hearing is next month and they are going to slap the communities with new regulations on the Charles and Neponset and other basins. Mr. Favaloro noted that of the 84 communities listed, 47 were MWRA communities. Communities need more information to prepare for the public hearings and to determine how hard to fight.

This agenda item has nothing to do with the MWRA itself; it is directed at the communities. However, Mr. Favaloro said it makes his case that the MWRA and the Advisory Board need to fight when EPA gets to the NPDES permit for Deer Island. This year EPA gets the communities with new stormwater regulations and when they get to the NPDES permit next year and make the communities co-permittees with the Authority, it will make the Authority enforce the communities' stormwater regulations. This meeting may help communities to get ready for the public hearing in mid March.

Chairman Dunphy asked if there is specific information from EPA on what is in the draft permit as relates to the communities. Mr. Favaloro said EPA says they are just practical things. Chairman Dunphy said EPA is talking about additional monitoring, so communities will have to spend a fortune to monitor everything and then produce the reports. That can be expensive in terms of money and also tying up everybody that you need working on something else. Can staff get the relative sections from the permit as opposed to everyone having to read the whole permit? Mr. Favaloro said he asked Mr. Webster of EPA to bring handouts.

Chairman Dunphy asked if there is a way, other than through the Advisory Board, that the communities could work together to develop a strategy to bring to the hearing. Mr. Favaloro said a special meeting of the Operations Committee could be called or communities can work through the Coalition.

VII. Status: Winthrop's Request for an FY10 Sewer Assessment Adjustment

Mr. Favaloro said Winthrop did not appeal its 2007 census numbers but did appeal the 2008 numbers and won. Marie Turner, Winthrop's representative on the Board of Directors, went to the Board seeking to use the 2008 census numbers, instead of 2007, for the FY10 assessment with a value of $172,000. Policies are clear as relates to a zero sum game. If one community's assessment goes up, another community's assessment goes down and vice versa. The methodology is very clear on how the assessments are determined for any given community. The Board approved a $165,000 adjustment for Winthrop out of the rate stabilization funds.

Mr. Fink asked if the Executive Committee should write a letter stating that this is outrageous on behalf of the Advisory Board. Mr. Favaloro said he made the Advisory Board's stance clear at the Board meeting and that Joe Foti argued that it should not occur. Mr. Favaloro said the Authority may be hearing from Chelsea, Revere, Dedham, Needham and Newton. Mr. Fink said MWRA has just opened the door. Mr. Favaloro said he told them they opened Pandora 's Box.

Joe Foti said, in fairness, for full disclosure, he did speak opposed to it but when it came down to the final vote, it passed unanimously. Mr. Favaloro said in fairness to Mr. Foti, it didn't really make a difference. The Board was clear that was what they wanted to do to be fair to Winthrop.

VIII. Approval of the Advisory Board Agenda for February 18, 2010

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE FEBRUARY 18, 2010 MEETING.** It was seconded and passed by unanimous vote.

IX. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:44 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary