

**EXECUTIVE COMMITTEE MEETING
FRIDAY, MAY 14, 2010
ADVISORY BOARD OFFICE
Minutes Approved at the September 10, 2010 Meeting**

Present: John Sullivan, BOSTON; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Katherine Dunphy, MILTON; Wiff Peterson, NATICK; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Brian Carlisle, QUINCY; Carol Antonelli, SOMERVILLE; John DeAmicis, STONEHAM; Zig Peret, WILBRAHAM.

Also in attendance, John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter and Matthew Romero, MWRA ADVISORY BOARD STAFF.

Chairman Katherine Haynes Dunphy called the meeting to order at 8:35 a.m.

I. Action Item: MWRA Advisory Board FY11 Operating Budget

Mr. Favaloro reported that the Advisory Board's FY11 Operating Budget goes down significantly, by nearly 3%, on the expense side; however, on the revenue side the low interest income results in an essentially level-funded budget from last year. The budget assumes staggered step increases for employees in FY11.

With the move to Charlestown, telephone costs will decrease because the Advisory Board will tie into the MWRA's telephone system. The Authority staff has been supportive and will be wiring the phone and IT systems. Hopefully the transition will be smooth.

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD FY11 OPERATING BUDGET AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE NEW LEASE, WITH CAVEATS REGARDING TWO LEASE ITEMS FOR THE CHARLESTOWN NAVY YARD.** It was seconded and passed by unanimous vote.

II. Action Item: MWRA Advisory Board Lease - Charlestown Navy Yard (Building 39)

Mr. Favaloro stated that he is comfortable with the Charlestown Lease as written with the exception of two items.

Item 7 of the lease deals with utilities; with no separate metering, it assesses a per-foot charge to assign these costs, which most likely works in favor of the landlord. Staff has come up with a counterproposal. After discussions with Authority staff, they have agreed to pay the whole electric bill for all four floors and it will eliminate the "middle person." The Authority will work with the landlord to determine its share of the bill. The Advisory Board's Operating Budget does not yet reflect this change; if it comes through, the budget will be reduced by that amount.

Item 17 relates to liability insurance; the landlord wants \$3 million in liability coverage, which will cost significantly more. The Advisory Board would like to meet mid-way, which will cost an additional \$1,000 per year.

Staff is comfortable with the language of the lease that gets the Advisory Board out of the lease should Massachusetts General Hospital wish to rent the whole fourth floor of Building 39. The lease includes language that protects the Advisory Board at the landlord's expense.

III. Action Item: MWRA Advisory Board *Integrated Comments and Recommendations to the MWRA's Proposed FY11 CIP and CEB*

MWRA Advisory Board Senior Finance and Policy Analyst Matthew Romero provided the Committee with a draft version of the MWRA Advisory Board's *Integrated Comments and Recommendations to the MWRA's Proposed FY11 CIP and CEB*.

The MWRA Board of Directors concurred with the Advisory Board's recommendation to keep the proposed rate increase at 1.49%. Further, the Advisory Board has recommended that future five-year caps should be a maximum of \$1 billion and that projects should be evaluated and prioritized to make future budgets more realistic, within the +/-20% rule.

Long-term financial management strategies recommended include the creation of a working group, including the Advisory Board, to establish a long-term plan for rates/debt management through 2022 using tools and strategies including, but not limited to, the release of reserves (in 2014), insurance reserve funding level, determining the best use of optional payment funds (such as Pension/OPEB), future defeasance options and additional future sources of revenue (such as Debt Service Assistance, bottle bill receipts, etc.).

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD FY11 INTEGRATED COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY11 CIP AND CEB**. It was seconded and passed by unanimous vote.

IV. Action Item: Interviews And Nomination Of An Advisory Board Representative To The MWRA Board of Directors

Joseph Foti expressed interest in serving on the MWRA Board of Directors for another three-year term. Mr. Foti noted that the three Advisory Board representatives to the Board complement each other, stating that they don't always agree but that they respect each others' opinions. Further, Mr. Foti stated that he always tries to vote in the best interest of all the communities, not necessarily his own community.

John Carroll added that he has enjoyed his time with the current three members in place. Mr. Favaloro noted that the three members have been very effective and have done a great job.

Chairman Dunphy asked if there were nominations from the floor. Hearing none, the following Motion was made: **TO NOMINATE JOSEPH C. FOTI TO SERVE AS AN ADVISORY BOARD**

REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2010 TO JUNE 30, 2013. It was seconded and passed by unanimous vote.

V. Postscript/Shaft 5A Pipe Break

Mr. Favaloro stated that Fred Laskey will attend the next Advisory Board meeting to make a presentation on the Shaft 5A Pipe Break. The MWRA held one special meeting of its Board of Directors to discuss putting together an expert panel that will include a civil/structural engineer and people with geotechnical expertise. Staff is looking between academia and people with real life experience and practical application.

Mr. Favaloro noted that during this catastrophic incident, one thing has shown through – the MWRA’s transparency.

Wiff Peterson noted that the Advisory Board has been hard on the Authority financially; then they had to deal with the wet weather events of March and April and now the pipe break. The Advisory Board should do some sort of commendation. Mr. Favaloro said the Advisory Board is working on some sort of citation to recognize the MWRA’s efforts.

Mr. Favaloro noted that EPA Region 1 Administrator Curtis Spalding has cancelled his attendance at the Advisory Board meeting and has rescheduled for June.

VI. MWRA Bond Ratings

Mr. Favaloro noted that the Bond Rating Agencies are far apart in their spectrum. On the one hand, Moody’s has given the Authority a negative outlook, cautioning that they are moving too close to their coverage limit, and on the other hand, Fitch indicates that the Authority’s high rates are a credit vulnerability. We have waited until all the ratings are in and transactions done and MWRA has its best all-in interest rate ever. The Advisory Board wants to guard against the fear that at every budget hearing and discussion around rates that MWRA staff will wave Moody’s letter around as justification to increase expenses.

Chairman Dunphy stated that MWRA needs to go back to Moody’s to sit down and get this straightened out.

Mr. Peterson asked if the 1.49% rate increase will go up because of union negotiations. Mr. Favaloro said no.

VII. Executive Director’s Annual Evaluation

After a brief review of the year’s accomplishments, Jay Fink made a **MOTION TO GIVE MWRA ADVISORY BOARD EXECUTIVE DIRECTOR JOSEPH FAVALORO AN EXCELLENT EVALUATION AND PROVIDE HIM WITH A 3% INCREASE EFFECTIVE WITH THE JUNE 15, 2010 PAYROLL PROCESS AND TO EXTEND HIS CONTRACT BY ONE YEAR.** It was seconded and passed by unanimous vote.

VIII. Approval of the Advisory Board Agenda for May 20, 2010

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE MAY 20, 2010 MEETING**. It was seconded and passed by unanimous vote.

X. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:40 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Lou Taverna, Interim Secretary