



Executive Committee Meeting

FRIDAY, SEPTEMBER 15, 2017
8:30 AM

Advisory Board Conference Room
100 1st Avenue, Building 39-4
Boston, MA 02129

Attendees

Lou Taverna	Newton, Chairman	Ralph Pecora	Lexington
Bernie Cooper	Norwood, Vice Chair of Finance	John Carroll	MWRA Board of Directors
John Sanchez	Burlington, Vice Chair of Operations	Andy Pappastergion	MWRA Board of Directors
Michael Rademacher	Arlington, Secretary	Eric Sherman	Wakefield
John Sullivan	Boston	Joe Favaloro	Advisory Board
John DeAmicis	Stoneham	Matt Romero	Advisory Board
Moe Handel	MAPC	James Guidod	Advisory Board
Robert King	Somerville	Lenna Ostrodka	Advisory Board
David Manugian	Bedford	Cornelia Potter	Advisory Board
Brendan O'Regan	Saugus		

DRAFT MINUTES

The meeting was called to order at 8:35 am.

Approval of the Executive Committee minutes of June 9, 2017.

A motion was made and seconded to approve the minutes of the Executive Committee meeting of June 9, 2017. The motion passed unanimously.

Updates

Mr. Favaloro opened his report noting that updates are provided each fall regarding recent developments regarding challenging and "hot button" issues for the coming fiscal year. At the first meeting of the Advisory Board after the summer, Mr. Favaloro and Mr. Laskey review the issues. The directors of the Wastewater Advisory Committee and the Water Supply Citizens Advisory Committee also provide reports on issues and topics for the fiscal year ahead. At the end of the year in June there are summaries from each group on the developments and status of the issues and challenges.

The annual Advisory Board field trip took place in August with 130 attendees. Attendees met at Deer Island and boarded a boat for a tour of the harbor and presentations from several speakers: from Board of Directors member Austin Blackmon representing the City of Boston, speaking on climate change and preparedness; from Executive Director Fred Laskey and staff Betsy Reilley and Dave Duest; and staff from Boston Harbor Now (formerly The Boston Harbor Associates).

Regarding the legislative update, Mr. Favaloro reported on the status of funding for Debt Service Assistance. Just this week, \$1.1 million was restored into the FY 2018 state budget. He cautioned that changes, including later cuts, were possible as the year progresses and updates of state revenues are provided. However, the Authority did receive the full complement of Debt Service Assistance as part of the FY 2017 budget.

Regarding rates management, a meeting was held (on September 13) on managing payments into the MWRA's pension system. In attendance were the actuarial consultants, the Authority's investment advisor, the member of

the Authority's Board of Directors who serves on the Retirement Board, as well as Authority staff involved with managing the pension system. The Authority's pension system has been well funded, at 96-98% at this time (regarded as being at "virtual" 100% funded). However, the most recent calculation by the actuarial consultant concludes that the level of funding has dropped towards 90%. The Authority's pension is one of the best funded in the Commonwealth as well as the nation, yet this growing gap between actual performance and near full funding has opened up the question about how to approach budgeting for future payments into the fund.

The Authority has been approaching budgeting decisions for this expense with the view that the pension and the Other Post Employment Benefits (OPEB) are two sides of the same coin in terms of how to approach these annual budget decisions. The Advisory Board continues to take this position as it approaches the annual discussion on the proposed budget for the next year.

A related budget issue is the subject of Current Revenue for the Capital Program (also referred to as "Pay Go"). This category of funding has also been part of the HEEC discussion involving funding the cross harbor electric cable (that powers Deer Island operations) and related dredging work.

These topics have become important elements of the ongoing discussion about arriving at an agreement for the annual rate setting process, now focused on keeping the level in the low 3% range (and below 4%).

Discussion over the summer also turned to the annual scheduling of the spring meetings of the Authority's Board of Directors at which wholesale water and sewer rates are set for the next fiscal year. Proposed is the scheduling of the budget hearing in May, not in June. In turn, this revision would reduce one of the Board meetings in June and would allow for an earlier schedule for setting rates by a week or two, which would benefit the cities and towns. This would result in a date of no later than June 20 for the assessments to be provided to the cities and towns for the next fiscal year.

A new five-year capital spending cap is to be set with the discussion of the proposed FY 2019 budget review. The current fiscal year, FY 2018, is the last year of the current cap (for FY 2014-2018). Discussion will focus on what is the right level of spending for the upcoming five-year period. Current projections are for \$1.4 billion. Advisory Board staff met earlier with MWRA staff in September to kick off that discussion. Mr. Favaloro observed that the Authority has always spent well under what the cap level has been. Yet, \$1.4 billion, if approved, would be the largest five-year cap ever for the MWRA. The most recent cap was c. \$753 million (under \$800 million had been the goal during budget deliberations). Other elements of the cap, such as spending more/less than 20%, are also expected to be part of the budget review discussion. Discussions going forward will also reflect the intent of funding at the level that the Authority needs for the period, that is, finding out what the right number for the cap should be.

Regarding key environmental projects, Mr. Favaloro highlighted the upcoming assessment of the results of the CSO Control Program. It represents an important evaluation of the program: whether benchmarks including the reductions of CSO flows have been met. He emphasized that stormwater is not an MWRA issue. The assessment contract award is expected for the fall.

The next issue involves primacy regarding implementation of federal issues by the federal EPA or via delegated authority by the state Department of Environmental Protection. As part of the budget review, the Advisory Board proposed a fee structure to fund the program at the state level and distribute funding among interested and involved parties. Evaluation of the proposed approaches will continue.

The MWRA's NPDES permit is still due for an update. The key issue currently is the subject of co-permittees and the relationship between the MWRA and the communities, and, most important, the potential of making the MWRA the enforcer for issues that are not the MWRA's responsibilities. When a new permit is to be issued is still not certain. There has not been a new permit for almost fifteen years. The issue of the role of a co-permittee was highlighted by the discussion of the HEEC cable and which entity should pay for the dredging for deepening the electric cable. The Army Corps of Engineers established that the MWRA should pay for the cost of dredging and reinstallation of the cable because the Authority was a co-permittee on the original permit for the original installation of the cable. In the meantime, the Advisory Board has deposited the AB surplus from the FY 2017 budget into the legal fund, in the event that legal action may be needed to address language that may be included in a new draft NPDES permit, if it is issued for comment.

Regarding molybdenum, about two years ago, the Advisory Board raised the issue of the allowable level of molybdenum in the fertilizer pellets produced as part of the Authority's residuals processing program. The Commonwealth had established a particularly strict limit on the use of the MWRA pellets within Massachusetts. More recently, the limit has been eased for in-state use, but the state Department of Agriculture continues to limit in-state use of the pellets due to their view that there is potential leaching of phosphorus despite findings that state that the pellets do not leach phosphorus. The Advisory Board staff is working closely with MWRA staff to get an independent third party to determine whether the pellets leach phosphorus.

A hearing was held recently by the state EOOEA regarding limits on outdoor use of water under provisions of the Water Management Act during summer months as among the conditions for a community to get a registration or a permit. Communities would have to change their metering systems in order to be able provide the required reports.

Mr. Favaloro reported on watershed protection issues, and, in particular, restrictions on recreational uses in the watersheds. Advocates for expansion of activities in the watershed areas believe that this is an opportunity for more use of the areas including off the road activities such as mountain biking. There have been meetings with representatives of the Authority and the Advisory Board and the state EEOEA and DCR. Yet, in the interim, there are continued efforts by the state to, for example, expedite the Ware River public access plan by two years with no further discussion with the Authority or the Advisory Board or the Water Supply Trust. The issue continues to be unauthorized off-trail usage, particularly by mountain bikers. He suggested a meeting or charrette to discuss the issues together. To date, there has been no response to the suggestion.

The next update was the subject of system expansion. Mr. Favaloro reported that the application for North Reading to join the MWRA system is now "dead" (and is no longer expected to be an issue for FY 2018 discussions). The Town of Andover has provided an option to North Reading that would result in a cost of water that would be lower than the cost of joining the MWRA.

Mr. Favaloro emphasized that the issue of system expansion needs to be looked at again and if there are issues that need to be "tweaked" or changed that make sense. In answer to a question regarding how important is it that the system be expanded, Mr. Favaloro observed that it brings in some additional dollars, and the entrance fee system recognizes what the communities have invested in the MWRA system and expands the rate base so it spreads the costs over a larger base. The Advisory Board could reconvene the Operations Committee to discuss options with system expansion. Would it make sense? A basin by basin approach could be introduced into the discussion as well. Should an "insurance" (stand-by) fee be considered? Mr. John Sullivan, Treasurer and BWSC

Engineer, commented that he didn't believe it was necessarily a good thing to discount the water by waiving or reducing the entrance fee.

Another layer of the discussion relating to the HEEC cable addressed the issue of easements with MassPort with the land portion of the new cable. Staff will keep the members informed going forward.

Nominations for FY18 Advisory Board Executive Committee

Mr. Favaloro introduced the list of nominations for the FY 2018 Executive Committee, noting that Walter Woods has stepped down and that there were three new members being proposed. The slate rebuilds the size of the committee to the seventeen members that would make up a full committee roster. A motion was made and seconded to approve the slate for the committee. The motion was approved unanimously. [See list of nominees, attached.]

Retail Rates Calculator

Mr. Romero introduced the next agenda item, a demonstration of the evolving Retail Rates Calculator. Mr. Guid opened the presentation by noting that the new website continues to evolve. This year staff has spent a lot of time behind the scenes expanding website capabilities. The big component has been collecting the Annual Retail Rate Survey data, which is being conducted completely through the website this year. A great deal of work has been ongoing over the past summer with test data coming from one community; now there is data from multiple communities. Staff reviewed calculations for each community, as well as the ability to compare between communities. Staff also highlighted that a lot of data has been uploaded, and pointed out categories of information that will be uploaded in the future, including communities, through the AWWA, who could participate in the listings on the website. Staff entertained multiple questions regarding how the website works so far for each community and next steps for the website.

Approval of Advisory Board Meeting Agenda for September 21, 2017

A motion was made and seconded to approve the proposed agenda for the Advisory Board meeting on September 21, 2017, in Lexington. The motion was approved.

Adjournment

A motion was made **TO ADJOURN THE MEETING AT 10:07 A.M.**

Respectfully submitted,

Michael W. Rademacher, Secretary