



Executive Committee Meeting

Friday, November 14, 2014
8:30 AM

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

Attendees

Michael Rademacher	Arlington	John Carroll	MWRA Board	Brendan O'Regan	Saugus
John Sullivan	Boston	Andy Pappastergion	MWRA Board	John DeAmicis	Stoneham
John Sanchez	Burlington	Joseph Foti	MWRA Board	Joseph Favaloro	Staff
Tim MacDonald	Cambridge	Lou Taverna	Newton	Matthew Romero	Staff
Rob King	Somerville	Bernie Cooper	Norwood	Cornelia Potter	Staff
Katherine Dunphy	Milton	Michael Coffey	Quincy	Travis Ahern	Staff
Pam Heidell	MWRA	Nick Rystrom	Revere	Mary Ann McClellan	Staff

MINUTES APPROVED AT THE JANUARY 9, 2015 MEETING

I. Approval of the September 12, 2014 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:35 a.m. A Motion was made **TO APPROVE THE SEPTEMBER 12, 2014 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Report of the Executive Director

MWRA Advisory Board Executive Director Joseph Favaloro noted that over the last 24-hour period, two sad occurrences have taken place. Mike Ralph, retired Director of Public Affairs for the MWRA, passed away yesterday after a short but courageous battle with cancer. Additionally, late last evening Executive Committee member Bill Hadley notified staff that his mother had passed away yesterday as well.

III. Presentation: 2014 Advisory Board Water and Sewer Retail Rate Survey

MWRA Advisory Board Finance and Policy Analyst Travis Ahern provided members with a draft version of tables and graphs for the *2014 MWRA Advisory Board Water and Sewer Retail Rate Survey*.

The wholesale assessment from 2013 to 2014 was a 3.49% increase. The retail rate increase last year was only 3.1%, less than the wholesale increase. The average MWRA community household charge in last year's document for 61,000 gallons was \$935 and \$1,380 for 90,000 gallons. From FY2003 to FY2013, retail rates increased by 65%.

For this year's document, the MWRA final wholesale assessment increase was 3.4%; similarly, the retail rate increase was also 3.4%, but these are draft results and are subject to change. Mr. Favaloro noted that retail rates went up 3.4% but as you begin to see the trend, and with all the other local costs coming up, this basically says that communities are only recovering the MWRA piece on average. As stormwater regulations change and local infrastructure costs increase, on one level this becomes a "red flag." Eventually it is going to catch up to them.

John Carroll asked if the document is still based on 90,000 gallons. Mr. Favaloro said as you look through the document you will see a whole sundry of ways that we look at rates.

Mr. Ahern stated that the 3.4% retail rate increase is based on 90,000 gallons. The average for 61,000 gallons, which is a table that is now available, is \$943 and the 90,000 gallons has gone up 3.4% to \$1,427. Between 2004 and 2014, there was a 60% increase in retail rates.

In the current document, there are a few changes that came out of discussions with the Executive Committee last year. People did not like the idea of using the wording “actual” and “DEP calculated” for one of the tables. On each individual community page last year it said “actual community usage,” in reality, it is calculated based on local, state and federal data. Instead – so people are aware that this information isn’t calculated by DEP – the calculation involved is being displayed for each community. Arlington’s usage of 59.9 hundred cubic feet (HCF), for example, is what is being used to calculate those costs. The appendix is where we will refer people, and the actual page will reference that the data comes from local, state and federal sources.

The wording in the past was “actual usage,” when in reality it was derived from the number reported to the Department of Environmental Protection (DEP) by communities, then population was being taken from the report filed with DEP, and the average household use was being taken from the U.S. Census. That is how we get to the number of gallons and then that number is converted to HCF.

John DeAmicis asked how you know what residential water usage is. Executive Committee members stated that the communities have residential meters to measure the usage, separate from commercial/industrial usage.

Mr. Ahern noted that this information is being added to supplement the Table that was calculated based on local, state and federal (LSF) data (Appendix C), which was already included in the document. This calculation makes a lot of sense and we just wanted people to understand how it was calculated. The first change came out of Executive Committee discussions last year.

A member of the Executive Committee asked that the numbers be calculated at 61,000 gallons, which is used by the MWRA in some of their documents. Staff felt putting it in the document at 90,000 usage, 61,000 usage and LSF usage might confuse people so the numbers will be calculated each year and then made available if anyone would like it. The thought process is that 61,000 gallons is a lot closer to actual community averages than the 90,000 gallons, which is a national benchmark.

There is also an appendix relating to second meters but all it says is that 30 communities are using them and 30 communities aren’t. In the 2014 document, the appendix lists who does and does not.

The third addition is stormwater. Since our workshop, stormwater has become more of an issue and we wanted to incorporate that into the document by showing the breakout of how people are recovering stormwater costs. For MWRA communities, tax levy and water rates make up 80% of what communities are doing to recover stormwater costs and three communities (Chicopee, Newton and Reading) have a special assessment, two of which came to the workshop.

On the national level, it is basically the polar opposite; 64% (16 communities) of the 25 communities that we poll on a national level are using special assessments; there is only one community that is using the tax levy in their DPW budget and water and sewer assessments are also lower. Another thing to remember is that on the national level they are recovering stormwater costs and paying for stormwater charges through the county, which isn't an issue in Massachusetts, which doesn't have a strong county system.

Mr. Favaloro noted that the workshop was a phenomenal success and is something that can be built upon for future years. Those videos have been circulated to the participants and are being edited and will be available soon and then they will be circulated to local cable outlets.

Lou Taverna noted that the Board of Aldermen in Newton changed their minds on some of the things that he stated on the video. On the chart to the left, can staff list the cities and towns that have the special assessment? Staff agreed.

Mr. DeAmicis asked if most of the country has stormwater fees already. Mr. Ahern responded in the affirmative. Four of the cities surveyed are in Texas, which does not have state taxes. They have had fees for quite a while. Mr. DeAmicis said so most of the country has stormwater fees and most of the communities in this state do not. Mr. Ahern said that is correct; they are getting it through their retail rates or taxes.

Mr. Ahern noted that stormwater will have an appendix in the document, which is new for this year. Staff is looking to build on it and will incorporate it into the document for future years.

The final change this year is that, because it will be an e-document, so there will only be a minimal amount of copies printed. All of the MWRA communities have their own page in this document, with expanded information. The survey will be posted to the MWRA Advisory Board's website as well at www.mwraadvisoryboard.com.

Mr. Favaloro said members will receive a thumb drive and the document will be on our website; about a dozen copies will be printed for libraries, etc.

Mr. Ahern stated that the information provided on the individual pages in the document will also be provided in the aggregate in the appendices at the back of the book as well.

When compared to natural gas on a monthly basis, water and sewer service is higher but it is significantly lower than heating oil. It is in the same ballpark as electricity costs (at 120 HCF) on a monthly basis. Mr. Romero stated that based on actual usage, water and sewer may actually be cheaper than other utilities.

Massachusetts and Boston are higher than the national average.

John Carroll stated that 90,000 gallons is too high; what does staff think the average actually is now? Mr. Ahern said the MWRA is using 61,000 gallons as the average. Mr. Carroll asked why the Advisory Board wouldn't use 61,000. Mr. Ahern stated that the Advisory Board has used the American Water Works Association's (AWWA) average of 90,000 gallon for 28 years. It is the only way to consistently compare rates from year to year. Staff has also begun to calculate the same information at 61,000 gallons as well.

Mike Coffey asked if the rest of the country uses that much more water than Massachusetts. Mr. Favaloro stated that there are parts of the country that use more and other states that aren't anywhere near that amount. Mr. Coffey asked what skews that average up so high. Mr. Pappastergion said irrigation and farming could bring those numbers up.

Proofs will be sent to the communities for approval and the document will be finalized thereafter. The final document will be mailed out as a thumb drive.

John Sanchez asked if all three numbers (90,000 gallons, 61,000 gallons and LSF calculated numbers) would be sent to the communities. Mr. Favaloro stated that all three numbers could be sent. Mr. Sanchez noted that he thinks the thumb drives are a good idea; however, when he wanted to look up rates, he just went online and looked for them. Perhaps if it is expensive to use thumb drives, just notifying people that the information is on the website might suffice. Mr. Ahern stated that it is a sizeable document and if people are looking at it remotely it may be helpful to have the thumb drive. The response to the thumb drives has been positive. Mr. Romero noted that staff is also providing additional information on the thumb drives as well to get the most "bang for the buck." This year we are providing information on our educational green sheet videos and videos from the community workshop on rates and stormwater.

A summary Green Sheet video of the Retail Rate Survey and an explanation of the Retail Rate Methodology will be on the Advisory Board's website at <http://mwraadvisoryboard.com/2014/12/december-2014-two-green-sheets/>.

Mr. Favaloro said this document evolves each year and it will evolve again next year. The goal is to make the document as useful as possible.

IV. Action Item: Request from the Dedham-Westwood Water District to Revise Contract to Increase Purchases of Water by 36.5 Million Gallons Per Year

MWRA Advisory Board Executive Director Joseph Favaloro introduced Pamela Heidell, MWRA Manager for Policy and Planning.

Mr. Favaloro noted that the Dedham-Westwood Water District (DWWD) joined the MWRA system some time ago with a 36.5 million gallon per year limit. DWWD has now determined that their water needs have doubled so they are requesting an additional 36.5 million gallons per year.

DWWD paid an entrance fee associated with its first 36.5 million gallons per year and it was determined that they would need to pay an additional entrance fee for the increased amount as well, which led to a discussion on whether the payment would be made under the old rules or new rules.

Mr. Favaloro noted that the Board voted this past week that entrance fees will be charged for all communities coming into the MWRA waterworks system that are not "grandfathered in" before 2002 and will pay it based on the Advisory Board's approved policy that allows the entrance fee to be paid over 25 years interest-free, with a three-year grace period.

The vote for today would allow the DWWD to double its water purchase, for which they will pay an entrance fee.

Ms. Heidell noted that DWWD has already gone over its limit for the year. It would be nice to have this vote for approval and will also be brought to the MWRA Board of Directors for a vote next month. The entrance fee will be \$557,000, plus the purchase of water on top of that. There is no 10% premium because they are an MWRA community.

Ms. Heidell noted that one of DWWD's wells is subject to restrictions when the Neponset River drops below a certain amount. This year was dry so DWWD did take water from the MWRA nearly every day. This vote would protect DWWD into the future. Ms. Heidell said there is the possibility that DWWD will come to the Authority for more water in the future if they decide not to rebuild one of their treatment plants.

Mr. Favaloro noted that a key point would be whether DWWD would be eligible for the 50% entrance fee from the state. If they knew they would be eligible, it would be likely that they would join the MWRA system rather than rebuild that treatment plant.

Brendan O'Regan stated that the letter from DWWD noted groundwater issues; is there the potential they will need to purchase more water from that standpoint? Ms. Heidell responded that it is a possibility if things should go wrong again.

A motion was MADE TO ALLOW THE REQUEST FROM THE DEDHAM-WESTWOOD WATER DISTRICT (DWWD) TO REVISE ITS CONTRACT TO INCREASE THE ALLOWED ANNUAL PURCHASE BY AN ADDITIONAL 36.5 MILLION GALLONS PER YEAR. PURSUANT TO THE EXISTING WATER SUPPLY CONTINUATION AGREEMENT BETWEEN MWRA AND DWWD, AS WELL AS THE ORIGINAL TERMS OF DWWD'S ADMISSION TO MWRA, ANY INCREASE BEYOND TWO MILLION GALLONS ON A DAILY BASIS, AND 36.5 MILLION GALLONS ON AN AVERAGE ANNUAL BASIS, WILL REQUIRE A WRITTEN CONTRACT REVISION AND REVISION TO THE ENTRANCE FEE. DWWD UNDERSTANDS PAYMENT OF A REVISED ENTRANCE FEE AMOUNT WILL BE REQUIRED FOR THE ADDITIONAL 36.5 MILLION GALLONS A YEAR REQUESTED. DWWD HAS SATISFIED REQUIREMENTS OF THE MWRA'S REGULATIONS FOR CONTINUATION OF CONTRACT WATER SUPPLY, MWRA #OP.10 ADMISSION TO MWRA WATERWORKS SYSTEM, AND MWRA'S ENABLING ACT. IN 2010, DWWD SUBMITTED A SUPPLEMENTARY REPORT TO MWRA THAT REFLECTED THE FOLLOWING:

- 1. DWWD HAS MAINTAINED ALL REASONABLE CONSERVATION MEASURES AND HAS CONTINUED THE IMPLEMENTATION OF ITS WATER CONSERVATION PLAN SUBMITTED TO DEP IN 2005 AS A CONDITION OF ITS MEPA CERTIFICATE FOR ADMISSION TO MWRA.**
- 2. DWWD HAS NOT ABANDONED ANY LOCAL SOURCE AND SUBSTITUTED IT FOR WATER FROM MWRA SOURCES.**
- 3. A LOCAL WATER SUPPLY SOURCE FEASIBLE FOR DEVELOPMENT HAS NOT BEEN IDENTIFIED BY EITHER DWWD OR DEP.**
- 4. A WATER USE SURVEY HAS BEEN COMPLETED THAT IDENTIFIED ALL LARGE WATER USERS.**

THE ABOVE NOTED PLANS AND STATEMENTS REMAIN TRUE. ADDITIONALLY, ALL REQUIRED REGULATORY REVIEWS ASSOCIATED WITH DWWD'S REQUESTED INCREASE WITHDRAWAL HAVE BEEN COMPLETED, SINCE

DWWD HAS OBTAINED A DETERMINATION FROM THE EXECUTIVE OFFICE OF ENERGY AND ENVIRONMENTAL AFFAIRS THAT THE REQUESTED EXPANSION IN WITHDRAWAL IS NOT SUBJECT TO REVIEW UNDER MEPA AND THE SUBMISSION OF A NEW ENF IS NOT REQUIRED. THE WRC PREVIOUSLY DETERMINED IT WOULD NOT TAKE JURISDICTION UNDER THE INTER-BASIN TRANSFER ACT.

DEDHAM-WESTWOOD WATER DISTRICT, IN ACCORDANCE WITH THESE TERMS, WILL PAY AN ADDITIONAL ENTRANCE FEE OF \$556,727 TO BE DIVIDED INTO INTEREST-FREE INSTALLMENTS OVER 25 YEARS, WITH A THREE-YEAR GRACE PERIOD (AS IS APPROVED ADVISORY BOARD POLICY). It was seconded and passed by unanimous vote.

V. Action Item: Request from the Town of Ashland for a Six-Month Emergency Water Connection (Awaiting Ashland's Determination)

This request was withdrawn.

VI. Action Item: 2015-2016 MWRA Advisory Board Legislative Priorities

Mr. Favaloro noted that this year's package is smaller compared to previous sessions. The single most important reason is that last year we put our emphasis on getting an infrastructure bill passed and we were successful. This year our focus is to make sure the infrastructure bill does what it is supposed to do and to focus on the items that are critically important to the MWRA and the Advisory Board.

The chances of adding a deposit to bottled water are "slim and none"; therefore, staff does not plan to re-file any legislation regarding the Bottle Bill.

A motion was made **TO STRIKE THE BOTTLE BILL LEGISLATION FROM THE ADVISORY BOARD'S LEGISLATIVE PACKAGE**. It was seconded and passed by unanimous vote.

Duplicate payments on the Payments in Lieu of Taxes (PILOT) language will be re-filed this year as well.

Mr. Favaloro stated with all the discussion on health care for retirees, the Advisory Board sent a letter of support last year on language that Governor Patrick filed on how retiree health care is determined. This legislation would reduce the MWRA's cost by nearly \$70 million. The rationale behind it is that currently an employee is vested at ten years and then they would get the full retiree health plan. This legislation would provide a sliding scale with a broader look on what is fair as far as retirees go. If you retire after ten years you would get 50% of some number and it would then ratchet up until you got to twenty years.

Mr. Favaloro believes that Governor-Elect Baker will also file the same legislation. The Advisory Board would also support this effort.

Previous Inflow/Infiltration initiatives have been included in the Infrastructure Bill and, therefore, don't need to be re-filed. Staff's challenge is to get the funding appropriated since it has now been authorized. This will be staff's focus.

Mr. DeAmicis asked if there has been any word on 9c cuts. Mr. Favaloro stated that the 9c cuts are coming and Debt Service Assistance is “dead.”

Mr. Favaloro noted that he would not re-file previous legislation on lead services, septic tax credits and online sales tax revenue because he wants the focus to strictly be on getting the Infrastructure Bill funding appropriated. He does not want legislators to be distracted by the re-files.

To get the Commonwealth to pick up a portion of the entrance fees, staff asked for \$100 million for economic development. There is now the potential to get 50% of the entrance fees picked up by the Commonwealth, which is included in the Infrastructure Bill.

A motion was made **TO APPROVE THE 2015-2016 MWRA ADVISORY BOARD LEGISLATIVE PRIORITIES.** It was seconded and passed by unanimous vote.

VII. Action Item: Lease Discussion of Advisory Board Office Space Options

The Advisory Board is in the last year of its lease at the Charlestown Navy Yard. Hopefully a decision can be made on the plans for next year. Options that have been discussed are to stay in the current location or to move downstairs to the second or third floors. The option to move downstairs was discussed about 18 months ago when the Authority was making decisions on where to move people after moving out of the first floor. At that time, the Authority was moving staff up to the second and third floors and moving some staff to other MWRA locations, like Chelsea, Deer Island, Southborough or other MWRA facilities.

It was an ideal window of time to carve out an “Advisory Board space” since MWRA staff was being moved around anyway; however, the landlord would only allow the move if the rent was paid for the remainder of the lease unless it could be sublet.

Since we are now in the last year of the lease, we have to decide what we will be doing next year. Mr. Favaloro said he has met with the landlord on several occasions to get an idea of what the numbers would look like if the Advisory Board were to stay in its current location. The proposed lease would increase \$1 per square foot every year over five years. The new rate would also apply to all of the square footage that the Advisory Board has. Over the previous lease, the Advisory Board was not charged for 144 square feet; with a renewed lease, the landlord wants this square footage included in the lease.

To put these numbers into perspective, the Authority is in the \$33 to \$35 square foot range for the second and third floors. The tenants across the hall on the fourth floor are in the \$26 to \$28 square foot range. Through negotiations, the first year would begin at \$23 per square foot and would add \$1 each year and add the 144 square feet.

A big point of contention is that he wanted to keep the base year for operating and taxes at 2010. Over time that becomes the biggest cost item over the horizon.

For the first year, it would be \$2,000 to \$3,000 maximum more to stay here. In trying to put together the FY16 budget, there would be quite a difference in the budget if the Advisory Board were to move downstairs. Mr. Favaloro stated that he had proposed a move to the second or third floors 18 months ago; however, he

believes “that ship has sailed” because it would cause massive issues with Authority staff that have now been established in their “new” spaces and all of a sudden they get a memo telling them they will be relocated because of the Advisory Board. To his credit, MWRA Executive Director Fred Laskey has stated that he will do it if the Executive Committee so chooses.

When staff first moved here, there were questions on whether this relationship between the MWRA and the Advisory Board was going to work. It has worked very well. If staff were to move downstairs, Mr. Favaloro stated that he is not sure it would continue to work for at least the short term. Lou Taverna said it would only be five offices and some administrative space; the Advisory Board could use the Authority’s conference rooms. Mr. Favaloro stated that a couple of spaces have been identified. It would not be 2,300 square feet by any means but it would probably be 1,500 square feet. MWRA staff is packed in pretty well and if they are used to being only four offices away from the Executive Director and now are moved eleven miles to Chelsea, it could prove a challenge to staff relationships.

In order to put the budget together for next year, staff needs to have a plan in place for next year. A third option would be to move someplace else. The numbers in Cambridge are higher than Boston and type B / type C locations are in the \$45 per square foot range. On top of that there would be moving fees as well.

Mr. Sanchez said proportionally the cost seems to be going up 4%, which seems a bit high; however, comparing it to other locations it seems okay. My preference is to have the Advisory Board separate from the Authority. I wouldn’t want to mingle the Advisory Board with the Authority.

A motion was made **TO RENEW THE ADVISORY BOARD’S LEASE FOR OFFICE SPACE FOR THE NEXT FIVE YEARS WITH FULTON PROPERTIES WITH TERMS AS FILED AT THE MWRA ADVISORY BOARD OFFICE.** It was seconded and passed by unanimous vote.

Mr. Favaloro said with that decision made, the Advisory Board has replaced all of the computers in the office from its capital budget. The next thing the Advisory Board would like to do is to put in a SMART board.

VIII. Approval of the Advisory Board Agenda for November 20, 2014

A motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE NOVEMBER 20, 2014 MEETING.** It was seconded and passed by unanimous vote. An Operations Committee meeting will take place just prior to the Advisory Board meeting.

IX. Adjournment

A motion was made **TO ADJOURN THE MEETING AT 9:50 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,



William Hadley, Secretary