



ADVISORY BOARD UPDATE

March 1999

The MWRA Advisory Board was created by the Legislature in the MWRA Enabling Act to represent the interests of MWRA service area communities. Its members include the chief elected official and a designee from each of the 60 cities and towns serviced by the MWRA, along with a member of the Metropolitan Area Planning Council, and six gubernatorial appointees representing various interests. The Advisory Board reviews and comments on MWRA capital and current expense budgets, as well as MWRA practices and policies. The Advisory Board also appoints three members to the MWRA Board of Directors and serves as a liaison between the communities and the Authority.

1998 HIGHLIGHTS

MANAGING MWRA SPENDING

In 1988, annual household water and sewer rates were projected to reach \$1,200 by the year 2000. Today's projection for rates for the year 2000 is \$737.

FY99 marked the fifth/sixth consecutive year that wholesale water and sewer rate increases were held below 5%. The MWRA proposed an FY99 Current Expense Budget (CEB) which would have resulted in a 5.2% increase. After the Advisory Board's mandated budget review, the Authority agreed to accept \$9 million in Advisory Board recommended reductions. These cuts translated into a 2.5% increase, less than half the increase originally proposed by the Authority.

STATE ASSISTANCE

State assistance has been a critical component in the Advisory Board's rates management strategy. Since 1993, the MWRA has received over \$200 million in state debt service assistance. A significant level of ratepayer assistance was secured in FY99 through the cooperative efforts of the Advisory Board, the MWRA, the Governor and the MWRA Legislative Caucus. The following is a list of accomplishments for FY99.

Debt Service Assistance

The FY99 state budget included \$44 million in debt service assistance for the MWRA, including \$1.3 million in assistance for the MetroWest Tunnel. This marked the sixth consecutive year the Commonwealth has provided rate relief through debt service assistance and the third consecutive year the MetroWest Tunnel was included as an eligible project. Without this

support, ratepayers would be faced with annual double-digit rate increases.

Clinton Wastewater Treatment Plant

For the fourth year, the state budget included \$500,000 to partially reimburse the MWRA for operating the Clinton Wastewater Treatment Plant. The Advisory Board continues to work to secure full funding for the operation of the plant.

Low Income Assistance Program

The Low Income Sewer and Water Assistance Program has been continued into its third year with a \$2 million budget allocation for FY99. The Advisory Board will continue with efforts to expand this program to include all homeowners eligible for the state fuel assistance program.

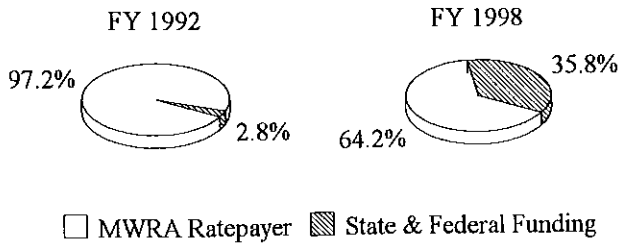
Wastewater and Drinking Water SRF Funding

The state Wastewater and Drinking Water State Revolving Fund (SRF) programs were funded through the FY99 state budget. In addition, language was included in the budget which allows for thirty year SRF loans for projects with a useful life in excess of twenty years.

MDC Division of Watershed Management

Although the MWRA Advisory Board was successful in securing the passage of an amendment to the state budget requiring the MDC to present the Division of Watershed Management budget to the Advisory Board for review, the language was vetoed by Governor Cellucci. The Advisory Board will continue to work toward its goal of holding the MDC Watershed Division accountable to MWRA ratepayers.

Boston Harbor Project Funding Comparison
Ratepayer vs. Public Financing



FEDERAL FUNDING

Federal funding for the Boston Harbor Project for FY99 amounted to \$50 million. This assistance was obtained due to the efforts of the Massachusetts Congressional delegation and the commitment of the Clinton Administration. This appropriation brings total federal funding for the Boston Harbor Project to \$887 million. Additional support for the nearly completed project is unlikely.

WATER TREATMENT DECISION

In October, the MWRA Board of Directors voted to build an ozonation/chloramination water treatment plant and to seek a waiver from the EPA filtration requirement. The Advisory Board's strategy during the decision making process was to ensure that the communities were fully informed relative to the water treatment issue and to provide a forum for communities to express their positions on the topic. To this end, Advisory Board staff produced the *Walnut Hill Treatment Plant - Water Treatment Decision Primer*, an overview of water treatment issues. In addition, the Advisory Board held a State House forum with EPA, DEP and MWRA, three informational breakfast meetings and a public hearing.

Throughout the filtration debate, the Advisory Board has stressed the importance of improvements to local pipelines to maximize the benefits of MWRA's waterworks capital program. In September, the Cellucci Administration committed to establishing a state local pipeline assistance program for MWRA communities. Modeled on the existing Massachusetts Water Pollution Abatement Trust, the program would provide zero interest loans to communities for local pipeline improvements. MWRA would contribute \$60 million to

the program over seven to eight years and the Commonwealth would contribute \$75 million over twenty years to provide over \$500 million in financing for MWRA communities over a twenty year period. The Advisory Board has made establishment of this program a legislative priority for the 1999 session.

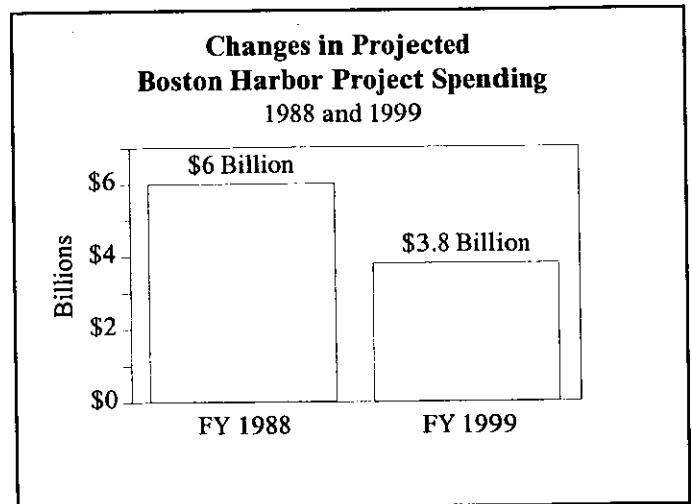
WATER METER FORUM

The Advisory Board held a Water Meter Forum as part of the New England Water Works Association Spring Joint Operations Conference and Exhibit. The forum was scheduled because many communities had expressed an interest in learning about state-of-the-art meter systems and outside reading technology. Eight water meter firms participated in the meeting and over forty-five MWRA community representatives attended.

FLOW AVERAGING

In early 1998, the Advisory Board voted to implement flow averaging for calculating community sewer charges. Flow averaging will smooth out the peaks and valleys experienced by communities which occur due to weather fluctuations. Although this concept has been discussed in the past, it was finally approved because members agreed to begin averaging in the out-years where flow data was not yet known. In order to implement the new system as soon as possible, two-year averaging will commence in Fiscal Year 2001, using calendar year 1998 and 1999 flow data. Three-year flow averaging will be implemented in Fiscal Year 2002, using calendar years 1998, 1999 and 2000 flow data. This model will be used thereafter to calculate sewer charges.

Changes in Projected Boston Harbor Project Spending 1988 and 1999



STRATEGY FOR 1999

STATE ASSISTANCE

The Advisory Board is advocating for the inclusion of several pro-ratepayer measures in the Fiscal Year 2000 state budget. The Advisory Board has requested \$48.5 million for MWRA debt service assistance, including \$4.2 million for the MetroWest Water Supply Tunnel. In addition, the Advisory Board has initiated discussions relative to expanding debt service assistance to the Walnut Hill Water Treatment Plant. Other initiatives include pursuing funding for a Local Pipeline Assistance Program, the Clinton Wastewater Treatment Plant, the Low Income Sewer and Water Assistance Program, and water and wastewater SRF loans.

RATES MANAGEMENT STRATEGY

The Authority currently projects annual water and sewer rate increases of 7.3% for the next seven years. The Advisory Board has proposed that the Authority work to manage and smooth rates through reducing capital spending and rescheduling planned projects. In its comments and recommendations on the Authority's FY2000-2002 CIP, the Advisory Board recommends establishment of a task force that includes state and federal regulators, Advisory Board Representatives and MWRA staff to develop capital program alternatives. In addition, the Advisory Board strongly urges the Authority to pursue additional sources of non-rate revenue, including federal grants, funding from the State Revolving Funds and additional support from the Commonwealth.

LOCAL PIPELINE ASSISTANCE PROGRAM

As mentioned under the Water Treatment Decision discussion, the Cellucci Administration has committed to establishing a state Local Pipeline Assistance Program for MWRA communities. The Advisory Board has long advocated for such a program to assist communities with local water infrastructure maintenance and rehabilitation. Establishment of this program is a top legislative priority for the Advisory Board in 1999.

CLINTON WASTEWATER TREATMENT PLANT

In addition to pursuing a minimum of \$500,000 to reimburse the MWRA for operating the Clinton Wastewater Treatment Plant, the Advisory Board has filed legislation to prohibit new connections to the plant without payment to the Authority. The Advisory Board is

committed to relieving ratepayers from the burden of paying for a treatment plant located outside of the MWRA district.

CHANGES TO LOW INCOME ASSISTANCE PROGRAM

The Advisory Board will advocate for the passage of a bill which will expand the Low Income Sewer and Water Assistance Program to include all homeowners who are eligible for energy assistance. Several Advisory Board members have expressed concern that as the program is currently administered, some communities that work to lower rates through the use of their general funds are not eligible for the program. This legislation would make residents in all communities eligible as long as they meet the income guidelines.

MWRA SURPLUS PROPERTY

The MWRA is in the process of building a central maintenance facility in Chelsea. When the building is completed, the Authority will no longer need several sites currently used for maintenance, equipment and vehicles. Based on experience with the Chestnut Hill Pump Station, the Advisory Board is pursuing legislation to clarify the MWRA Enabling Act to allow MWRA to turn property back over to the state when the property is no longer necessary for the operation of the Authority.

1999/2000 LEGISLATION

An Act Relative to the Commonwealth Sewer Rate Relief Fund. (Rep. Robert DeLeo) Establishes in statute the current debt service assistance program. Allows MWRA to receive debt service assistance for 20% of all sewer debt, including debt for projects which have also received state grant assistance. The bill also makes the MetroWest Tunnel eligible for debt service assistance.

An Act Relative to the Walnut Hill Water Treatment Plant (Rep. Robert DeLeo, Rep. Ronald Mariano) Seeks to include the Walnut Hill Water Treatment Plant as an eligible project for debt service assistance.

An Act to Support the Infiltration/Inflow Financial Assistance Program (Rep. Robert DeLeo, Rep. Ronald Mariano) Reimburses the MWRA for the cost of providing grants and interest free loans to cities and towns within the service area to rehabilitate local sewer collection systems.

An Act Relative to Assistance for Local Pipeline Improvements in MWRA Communities (Rep. Robert DeLeo, Rep. Ronald Mariano) Establishes a program to provide interest free loans for local water pipeline improvements in MWRA communities. Program would be administered through Massachusetts Water Pollution Abatement Trust.

An Act to Improve the Supply and Delivery of Water to MWRA Ratepayers (Rep. Ronald Mariano) Transfers the responsibility for the MWRA water supply, and its related activities, from the MDC Division of Watershed Management to the MWRA. Ratepayers currently pay 100% of the DWM budget, projected to be \$17.7 million in FY00.

An Act Relative to the MWRA Advisory Board (Rep. Rachel Kaprielian) Extends the MWRA Advisory Board's budgetary oversight role to include the MDC Division of Watershed Management. Ensures that the DWM is held accountable to MWRA ratepayers.

An Act to Limit the Liability of the MWRA (Sen. Cheryl Jacques) Limits the tort liability of the MWRA to \$100,000 per claimant, including both personal injury and property damage claims.

An Act Relative to Assistance for Water and Sewer Rates for Low and Moderate Income Households (Sen. Steven Tolman, Rep. Robert DeLeo) Expands the Low-income Sewer and Water Assistance Program to include all homeowners eligible for energy assistance. Appropriates \$3 million to fund the program in fiscal year 2000.

An Act Relative to Certain Transactions by the MWRA (Rep. Anne Paulsen) Allows the Authority to enter into lease/leaseback financial transactions on commercially reasonable terms. Such a transaction, qualifying under certain provisions of the Federal Income Tax Regulations, may create a benefit to MWRA ratepayers in the expected range of \$5 million.

An Act Relative to the Clinton Wastewater Treatment Plant (Sen. Charles Shannon) Prohibits new connections to the Clinton Wastewater Treatment Plant without payment. MWRA ratepayers currently pay over \$500,000 per year to maintain and operate the plant.

An Act Relative to Advertising on MWRA Property (Rep. Robert DeLeo, Rep. Ronald Mariano) Allows MWRA to contract for advertising on MWRA facilities if local approval is granted.

An Act Relative to the Relocation of MWRA Pipeline Located in the Chelsea River (Sen. Robert Havern) Seeks to obtain a \$2.5 million appropriation to reduce the cost to MWRA ratepayers for the relocation of the Section Eight Low Service pipeline located in the Chelsea River. Relocation of the pipe is necessary due to an Army Corps. dredging project. With this appropriation, MWRA will be responsible for paying approximately \$3.5 million for the relocation project.

An Act Relative to MWRA Surplus Property (Rep. Ronald Mariano) Allows MWRA to turn property back over to the state when property is no longer necessary for the operation of the MWRA.

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