



Advisory Board Meeting

Thursday, May 18, 2017
11:30 AM

Canton Public Library
786 Washington Street
Canton, MA 02021

Attendees (Voting Members)

Mike Rademacher	Arlington	Barbara Wyatt	Gubernatorial Appt	Bernie Cooper	Norwood
David Manugian	Bedford	Bob Higgins	Hingham	Nicholas Rystrom	Revere
John Sullivan	Boston	Ralph Pecora	Lexington	Jeff Zager	Reading
Michael Bishop	Belmont	Amy McHugh	Marblehead	Brendan O'Regan	Saugus
Jay Hersey	Brookline	Moe Handel	MAPC	John DeLuca	Somerville
John G. Sanchez	Burlington	Cassandra Koutalis	Medford	John DeAmicis	Stoneham
Michael Trotta	Canton	Elena Proakis Ellis	Melrose	Carol Antonelli	Wakefield
Tim MacDonald	Cambridge	F. Thom Donahue	Nahant	Patrick Fasanello	Walpole
Ned Keefe	Chelsea	Jeremy Marsette	Natick	Walter Woods	Wellesley
Ernest Lariviere	Everett	John Cosgrove	Needham	Joe Lobao	Wilmington
J. R. Greene	Gubernatorial Appt	Lou Taverna	Newton	Tom Reilly	Winthrop

Other Attendees

Sam Corda	Cambridge	Matt Horan	MWRA	William Shaughnessy	Wellesley
John Carroll	MWRA BOD	Michael Hornbrook	MWRA	Joseph Favaloro	AB Staff
Andy Pappastergion	MWRA BOD	Dave Kubiak	MWRA	Matthew Romero	AB Staff
Joshua Das	MWRA	Fred Laskey	MWRA	Cornelia Potter	AB Staff
Tom Durkin	MWRA	Louise Miller	MWRA	Lenna Ostrodka	AB Staff
Stephen Estes-Smargiassi	MWRA	Kathy Soni	MWRA	James Guid	AB Staff
Jeremy Hall	MWRA	Andreae Downs	WAC		
Pam Heidell	MWRA	Lexi Dewey	WSCAC		

54 people were in attendance, including 33 voting members.

**THURSDAY, MAY 18, 2017
CANTON PUBLIC LIBRARY
786 WASHINGTON STREET
CANTON, MA 11:30 AM**

Draft Minutes

The Chairman called the meeting to order at 11:44 am.

A. APPROVAL OF ADVISORY BOARD MEETING MINUTES FOR APRIL 20, 2017

A motion was made and seconded to approve the minutes of the meeting of the Advisory Board for April 20, 2017. The motion carried.

B. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Favaloro stated that the items on this part of the agenda will be addressed as part of the meeting, going forward.

C. PRESENTATION: LEAD TESTING IN SCHOOLS: NEXT STEPS

Mr. Stephen Estes-Smargiassi opened the report noting that the program that had been started a little more than a year ago, with the goal of offering free testing services to communities without charge for all the schools in the metropolitan area. Since April 2016, the MWRA has taken over 14,600 samples from 306 schools across the entire region in 35 communities. The sampling is continuing so communities should contact Joshua Das to schedule the sampling. Just about 5% of all the samples tested for lead are above the action level, which is not an unexpected number given the age of a lot of our schools. Those communities took individual fountains off line. Many communities took individual fountains off line and replaced them, and have removed sinks and fountains in classrooms off line. A number of communities have replaced fixtures (which includes flushing of the pipes). He referred to the lab reports from DEP which also includes mention of the MWRA program. He also gave an update of the City of Quincy program.

Mr. Favaloro also remarked on efforts to address the pipes from the main to the sidewalk and then from the sidewalk into the house. In terms of getting positive press coverage, the zero interest loan program continues to get good press coverage across the country, the work that has been done by Boston and others, getting maps up on the website – these efforts have been getting very good play.

He continued his report by stating that the MWRA is continuing to do sampling for schools, and addressing needs of day care facilities (DEP will be giving more attention to this topic). There has also been sampling for Quincy and Malden, both in the spring; furthermore, MWRA will continue to do normal sampling in September. He also invited suggestions for other things that the Authority could be working on. Mr. Carroll brought up his concern about children who have high lead levels; Mr. Estes noted that there continues to be questions regarding the sources of lead including paint or water. There is now a testing program going on across the state, which does include water testing and whether there is a lead service line. Also needed is more guidance on addressing needs for day care centers. Mr. Favaloro also offered to put on the Advisory Board's website more information on addressing lead service lines, including the sections between the sidewalk into the house and how to address that piece of the issue.

On one more topic, Mr. Estes reported that the CCR will be coming out in June.

D. ADVISORY BOARD FY18 OPERATING BUDGET

Mr. Favaloro reported that the Advisory Board budget had a nominal 1.8% increase (\$9,488 increase, to \$543,341), complements the existing staff of the Advisory Board, with an intern over the summer, to move the website forward into the next phase, including getting the rate calculator up and running, so that by the spring there will be an interactive rate calculator. There will be a surplus at the end of this year, and we will be advocating for the MWRA to put together a fund to take on EPA and address co-permittees. There will also be a reciprocal line item in the Advisory Board's budget (legal fund) to address this issue. There will be more discussion in the next month's meeting of the Advisory Board. There was a motion to approve the Advisory Board's FY18 operating budget (in the amount of \$543,341) and seconded. The motion carried.

E. ADVISORY BOARD INTEGRATED COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY18 CAPITAL IMPROVEMENT PROGRAM AND CURRENT EXPENSE BUDGET

May is when the Advisory Board approves comments on both the capital and current expense budgets, and there have been previews as we have gone along. Mr. Romero pointed out that this has been a very unusual budget cycle, especially on the CEB side. With regard to the CIP side, the Advisory Board has already made several recommendations: regarding the Metropolitan Tunnel Redundancy project, there was the workshop in December when the Authority staff made a presentation at Boston College and the Advisory Board made its recommendation followed by a formal vote in January. It

was a major recommendation, but was taken “off [the normal budget]cycle” to ensure that it was made in a timely manner and that the Advisory Board’s recommendation could be taken into account.

He also discussed phase III of the Local Water Assistance Program approve an increase from the \$210 million to \$292 million, to recognize the construction cost index to bring the funded amounts to a level that reflected increases in inflation. Regarding the CVA communities, a similar amount was approved at last month’s meeting.

Regarding the proposed Current Expense Budget for FY18, the Advisory Board is recommending is a 3.19% rate increase. This would be the lowest increase in five years. Components of this recommendation include: a reduction of \$1,000,000 for staffing which typically reflects increasing the vacancy rate assumed in the proposed budget numbers (not a reduction in the number of positions, but the period of time that can be expected for filling vacant positions); receipt of debt service assistance during FY17 that is paid forward to reduce FY18 assessments by \$391,580; a reduction in budgeted numbers for enterococcus treatment requirements of \$600,000; an increase of \$750,000 for legal services fees to supplement Authority efforts to challenge co-permittees language that is anticipated to be included in a draft of an updated NPDES permit. The two big add-backs relate to the HEEC cable including a transfer of \$4.4 million (already included in the Authority proposed budget document) and \$2.1 million to a HEEC payments fund. The total for these Advisory Board recommendations, including the adjustments to meet the costs of the HEEC cable, reach \$3.9 million.

A series of cost changes to direct and indirect expense spending total \$4.9 million. Just over \$4.4 million of this amount reflect changes to energy and utilities assumptions (of \$4.0 million) relating primarily to the changes to assumptions for meeting the HEEC cable use. Another \$0.4 million is due to updates for health insurance costs and the mix of plans assumed for the budget year. In addition to other updated items is an addition of \$435,907 for MIS related needs. These numbers total a \$4.9 million reduction for the anticipated adjustments by the Authority.

Under capital financing is a \$2.2 million placeholder for updated costs and assumptions. At the same time, revenue and income went down by about \$300,000 principally due to changes in the anticipated revenues through the demand response program. The operating reserve is a straightforward reduction, calculated to reflect other increases and decreases throughout the revised budget assumptions and recommendations.

These changes result in a \$4.16 million reduction which results in an updated rate revenue requirement of 3.19%.

The largest and fastest changing topic impacting budget review has been the HEEC cable issue. It all began with the harbor dredging project. The old cable will have to be removed, but the Authority was able, during negotiations, to cap its liability at \$9 million. The approach to funding the new liability poses challenges, as well. The fact that the cable is not the Authority’s asset, and therefore cannot use tax-exempt funding. The options that could be considered included the use of “current revenue for the capital program” (also referred to as “pay-go” or cash). Mr. Romero cautioned that the use of these funds for the cable reduces the ability to use those monies for other purposes that involve assets that the Authority does not own that may need funding, among them, repairs to the railroad that goes over the Wachusett Reservoir (which the Authority does not own), or for the lead loan program for the replacement of the portion of the water service line that goes from the public way into the house (also privately property).

In addition, the Authority was able to negotiate that, on the new dredging permit it is no longer a co-permittee with Eversource. Moreover, once section of the old cable have been removed, the Authority will also no longer be a co-permittee on that permit as well.

Regarding Debt and Revenue, staff highlighted the difference between the actual rates for variable rate debt and the budgeted rates for that debt. That practice has led to considerable surpluses which have contributed to the ability to defease debt as a tool for easing and managing rate revenue requirements over a multi-year period. The Advisory Board’s comments call for a reduction in the assumed, budgeted interest rate for variable rate debt from 3.5% to 3.25%, which

would reduce the proposed budget by \$1.2 million. Investment Income, similar to the interest rate assumptions on the debt service side, is reduced by \$1.6 million to reflect a lower level of earnings based on the lower interest rate assumptions.

Regarding Pension expense, proposed budget assumes \$8.3 million for the pension payment plus 50% of the annual calculated contribution for the OPEB expense plus a \$1.8 million optional payment to the pension fund balance, for a total of \$10.1 million. The Advisory Board comments recommend deleting the additional \$1.8 million and leaves it to the Authority's discretion whether or not to redirect \$1.8 million from the OPEB contribution to the pension fund, keeping the overall "pie" for both line items the same size.

Regarding Primacy, staff emphasized that the elements of a recommendation for elements of a funding plan for the primacy program is not a "hard and fast" plan but an effort to get topics out for discussion. The recommendation reflects the view that funding the Primacy program through the state budget is a prudent way to ensure funding. Contributors a funding program would include contributors to sewer flows including direct discharges from industries, POTW's (including the MWRA, which would probably have a very large share, and cities and towns). There should be some reward for good behavior and some punishment for those systems that are not "being good actors" under this approach to funding the NPDES program. Three-year averaging for payments is also proposed. Payments from septic systems is a concept also proposed, as is an approach to stormwater-related sources. The proposal also includes 25% of the funding could come from EPA and MassDEP through a dedicated contribution and in-kind services. These ideas are, at this time, for the purpose of generating discussion.

Looking at professional services procurements, Advisory Board staff has met with Authority staff and attending selection committee process trainings. Additionally, staff has had conversations with other state agencies to learn about their procurement procedures. The Authority is not required to use a qualifications based procurement system like other state agencies but the Advisory Board is suggesting that it's elements be considered when evaluating the lack of competition in some of their contracts.

Staff recommends that the Authority add an additional \$700 thousand into its legal services fund in response to the HEEC cable issues. Some of these issues may have been avoidable had the MWRA not been listed as a co-permittee for the cable. As we move into closer to a new NPDES permit for Deer Island, the Authority must be equipped to eliminate any co-permittee language.

It is also recommended that the Authority explore ways to utilize the fact that the Deer Island digesters are a symbol of Boston Harbor. It is suggested that the Authority evaluate the onetime cost of adding colored exterior lights to the digesters which could be themed differently throughout the year.

Finally, staff suggest that the Advisory Board move beyond the concept of "Four, No More" and find a different rate that challenged the Authority while still keeping the rates sustainable and predictable.

F. ITEM NOMINATION AND ELECTION OF A CANDIDATE TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2017, TO JUNE 30, 2020

The Executive Committee has nominated John Carroll to serve as an Advisory Board representative to the MWRA Board of Directors for another term, from July 1, 2017 to June 30, 2020. Mr. Carroll noted that he has served on the Board for 32 years and that he thinks the current team of Advisory Board representatives to the MWRA Board is a great team. A motion to elect Mr. Carroll to a three-year term from 2017 to 2020 was put to a vote; the motion carried.

G. PRESENTATION: ITEM CSO POST-CONSTRUCTION COMPLIANCE MONITORING – DAVE KUBIAK, SENIOR PROGRAM MANAGER

Senior Program Manager, Dave Kubiak, gave an overview presentation of the scope of work for the next three years of the next three years of the CSO program. The last schedule for the program had been determined in 2006. At that time, two milestones were added for which the Authority would need to prove that it had accomplished to goals of the program.

Mr. Kubiak also thanked Cornelia Potter for involvement with the CSO program and all her contributions towards the program’s design and success.

Mr. Favaloro noted that the Authority did an incredible job in CSO management. He explained that it is important, now that the project is complete, to step back and evaluate the parameters of the program before going forward. There will be advocates suggesting that more be done for CSO compliance and it is important that the Authority find a strategy that best serves the ratepayers and the environment together.

Mr. Laskey thanked the Advisory Board for its advocacy with state and federal officials during the CSO negotiating process and ensuring that there was a “time out” period after the project to allow room for evaluation.

H. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:21 pm. It was seconded and passed by unanimous vote.

Respectfully submitted,

Michael W. Rademacher, Secretary