



Advisory Board Meeting

THURSDAY, JANUARY 18, 2018
11:30 AM

CANTON PUBLIC LIBRARY
786 WASHINGTON STREET
CANTON, MA 02021

Attendees (Voting Members)

Michael Rademacher	Arlington	Elena Proakis Ellis	Melrose
David Manugian	Bedford	Lou Taverna	Newton
Jay Hersey	Brookline	Bernard Cooper	Norwood
John Sanchez	Burlington	Jeff Zager	Reading
Greg St. Louis	Everett	William Shaughnessy	Wellesley
J. R. Greene	Gubernatorial Appointee	Patrick Fasanello	Walpole
Andy Fisk	Gubernatorial Appointee	Joe Labao	Wilmington
Ralph Pecora	Lexington	Joseph Favaloro	AB Staff
Amy McHugh	Marblehead	Matthew Romero	AB Staff
Robert Higgins	Hingham	James Guidod	AB Staff
Moe Handel	MAPC	Lenna Ostrodka	AB Staff
Cassandra Koutalidis	Medford	Cornelia Potter	AB Staff

Other Attendees

Barbara Thissell	Canton	Michael Hornbrook	MWRA
Jim Montgomery	DCR	Steve Estes-Smargiassi	MWRA
Jeff Mahoney	UCANE	Tom Durkin	MWRA
Andreae Downs	WAC	Kathy Soni	MWRA
Frank Singleton	Weymouth	Louise Miller	MWRA
Alice Arena	Weymouth	Matt Horan	MWRA
John Carroll	MWRA Board of Directors	Alex Amorello	MWRA
Fred Laskey	MWRA	Sean Navin	MWRA

40 people were in attendance, including 19 voting members.

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Draft Minutes

A. WELCOME

The Chairman called the meeting to order at 11:35 am.

B. MINUTES

A motion was made and seconded to approve the minutes of the Advisory Board for November 16, 2017. The motion carried.

C. REMARKS FROM THE EXECUTIVE DIRECTOR

Mr. Favaloro noted that there had been a change in the agenda. For a long time, the Advisory Board has used the January meeting to talk about the Watershed and Watershed operations. However, there have been some changes at the DCR Watershed Division. Jonathan Yeo, the long-time director, has left DCR and has taken a position in the City of Newton as the Chief Operating Officer. As a result, that presentation to the Advisory Board is being postponed to a later date. Today's presentation will be about the MWRA's proposed Capital Improvement Program for FY 2019 and the proposed FY 2019-2023 cap.

D. FY19 PROPOSED CAPITAL IMPROVEMENT PROGRAM AND PROPOSED FY19-23 CIP CAP

Authority staff opened the discussion by noting that the process of budgeting seems to never end. Staff is always in the cycle of either the capital improvement program and budget or the current expense budget, and, just as one is ending another is starting up again. Halfway through FY 2018, staff has just sent the CIP to the Board of Directors for their approval to transmit to the Advisory Board for their review. This year, there are two jobs: one job is to look at FY19 in its discrete, twelve-month period, but also, to put together a five-year plan that is referred to as a "cap." This year, FY 2018, is the last year of the current five-year cap; FY19 begins the next cap.

We have a number of different perspectives for capital budgeting. One of them is the question about what is going to be done and how much is proposed to be spent in a twelve-month period. That period is in the context of the five-year cap. Because the five-year cap is forward looking, this year doesn't ignore prior progress and other projects. The analysis considers where FY 2019 fits into the whole context of MWRA's history, and even before as well as a long time after. And then there is the whole project and program going forward.

CIP spending since 1986 by MWRA has totaled \$8.2 billion on all the capital improvements. Among them are Deer Island, the MetroWest Tunnel, and the Carroll Water Treatment Plant. In addition, there is forward projected spending for projects that total \$3.3 billion (for the period out to FY 2046). Each year is a new opportunity to look at where the plan is. Situations and priorities change, and the Authority adjusts to that. So, there are new projects (or additions to projects that had already become part of the capital program) that have been added to the plan totaling \$235 million from FY 2019 – 2029. Also anticipated are additions to the I/I Program, Phases 11 and 12.

Staff noted that the cap had been introduced by the Advisory Board in 2003. It is a target for spending and is intended to establish a level of spending that the agency can afford over a longer horizon (than the budget year ahead). The initial cap was set at \$1.1 billion as was the following cap. For the next cap period, from FY 2014 – 2018, there was a fairly significant drop, to \$791.7 million (as the large CSO Control Program was coming to an end). This reduction was in response to the Advisory Board's recommendation to resize the FY14-18 cap to under \$800 million.

The proposed budget contains \$1.2 billion for the FY 2019-2023 period with spending for the FY 2019 year at \$207 million. Of that amount, nearly 53% of the spending is for projects that have already been awarded, an indicator of the likelihood that the spending level is more likely to occur. In addition, there are 46 planned contract awards during FY 2019, totaling \$266 million.

Actual capital spending for the period FY 1990 through FY 2018 averaged nearly \$280 million per year. This compares to the projected spending in the proposed budget for the five years ahead of \$247 million per year. The two highest years are projected to be FY 2020 at \$274 million (according to the cap calculation) and FY 2021 at \$285.4 million.

The drivers of spending during the FY 2019–2023 period are asset protection and interim water system redundancy. The period will mark just the beginning of the long-term water system redundancy program spending.

For asset protection, projects will address rehabilitation and renovation of the aging assets. These assets include facilities, such as the headworks, which were built in 1967 and rehabilitated in 1987, and more recently constructed assets, such as the Deer Island plant, initial elements of which came on line in 1995, now more than 20 years ago. Spending on asset protection for the next cap period is expected to triple from the level of spending in the current cap period (FY 2014-2018), from about \$300 million to nearly \$890 million, with spending on wastewater projects driving the spending. For the cap period to follow, FY 2024-2028, spending on waterworks asset protection projects is projected to drive capital spending.

For the FY 2019- 2023 period, almost 50% of expenditures for asset protection are concentrated in just 13 contracts, 7 of which are for the Deer Island plant. For water redundancy, the top contracts represent slightly more than 50% of the expenditures, mostly for interim redundancy projects, with the exception of the conceptual design environmental impact report contract – the start of the long-term redundancy program.

Staff also reported on plans for new projects for the capital improvement program. Total new projects have a contract value of nearly \$235 million, with projected spending during the FY 2019- 2023 period of nearly \$110 million (over half of which is for the I/I program). Excluding the I/I program from the contract list, the largest new project is for cathodic protection.

Mr. Hornbrook, the Chief Operating Officer, highlighted some of the new projects. Of particular importance is the cathodic protection project, at \$62 million, for the metropolitan and the western systems. Another \$8 million has been budgeted for cathodic protection work and rehabilitation at Deer Island. He commented on the changing technology and approaches to dealing with these issues, making it challenging for staff to package and bid the work that needs to be done. He also addressed the subject of the UV lines and ozone generators that will need to be replaced. A lot of the spending is not necessarily in the next five-year cap but it is in the next ten years. To get some certainty in the budget process for the ratepayers for future years, where spending is now expected to be occurring, it can be managed as it is anticipated. We are getting to the point where the UV reactors and the ozone generators will have to be replaced.

He also addressed the subject of wastewater hydroturbine replacement at Deer Island. He also spoke to the issue of funding for energy projects. The budget includes \$12 million to replace the turbine, but the cost-benefit is narrowing. Staff is also reviewing funding options for the turbines.

Also addressed was proposed spending for the Northern High Service area in Revere and Malden to improve hydraulic and water quality problems and to meet Safe Drinking Water Act requirements. He noted that, as a percentage of spending, waterworks projects are an increasing proportion of the capital program.

A key project in terms of spending during FY19 is the Chelsea Headworks which, among a number of challenges, will be addressing flooding related issues. The biggest contract to be awarded in FY 2019 is at Deer Island: rehabilitation of both primary and secondary clarifier facilities. It is a \$130 million contract, with spending to start in FY 2019 at a projected \$16.2 million.

On the water side, he highlighted the Southern Extra High Redundancy project which involves three contracts. The first contract is substantially complete; the second contract has been awarded and will be in construction this spring and summer. Contract three will be in construction near the end of FY 2019. Together, the project will bring almost six miles of water line that will offer redundancy to the single line that feeds the Southern Extra Line communities.

Major spending during FY 2019 also includes the Northern Intermediate High and Storage project. He spoke about four contracts that have or will be awarded, bringing more certainty to spending expectations.

Other major project spending during FY 2019 includes the Deer Island HVAC project, which represents a challenging situation because of its location in a marine environment. The contract is budgeted at \$38.8 million, just for the HVAC

replacement work, and is to be awarded shortly. Another contract is for Nut Island odor control and HVAC work, also estimated at \$38.5 million.

Proposed contract awards during FY 2019 total \$266 million; 60% or \$160 million of the amount is budgeted for wastewater projects. The top ten awards represent almost 70% of the value of the contracts and of the proposed spending for the next cap period.

Staff emphasized that while the capital program is being paid for through capital borrowing, the MWRA continues to pay back more than the new borrowings. The agency continues to pay down the principal of (previous) borrowings. The guideline is to protect the principle of generational equity and to ensure that the life of the debt does not overextend the life of the assets. Total debt service reaches its peak in FY 2022 at \$550.5 million. At the same time, the Authority has been working to reduce total indebtedness and, as compared to projections just a few years ago, in FY 2017, projections of the rate revenue requirement have been reduced by 9%.

Year to date spending (for FY 2018) through December 2017 totals \$89.1 million with spending at year end projected to be on or close to budget.

Discussion of spending as part of the I/I program includes the possible addition of a Phase 11 and Phase 12, including assumptions regarding loan repayments. Mr. Sanchez, Chairman of the Operations Committee, noted that a meeting of the committee is expected to be scheduled soon to discuss these options.

In answer to a question about staffing for managing the upcoming capital projects, does the agency have the talented staff to manage these projects, Mr. Hornbrook observed that, while the agency is experiencing some turnover, there are replacements. For the Metro Tunnel project, the agency is incorporating the program management approach with a separate cost center in the FY 2019 current expense budget. Mr. Favaloro noted that the "PMD" approach was recommended by the Advisory Board and stated that he was pleased that the Authority is implementing this approach. Mr. Hornbrook noted that the approach will not constrain the Authority in meeting its personnel level guidelines. He also noted that the recent hire of Beth Card ensures that the initial phases of the environmental impact report moves forward. He also noted that it is anticipated that additional staff is expected to be hired between now and the start of the next fiscal year.

Mr. Favaloro also stated that Mr. Hornbrook had recently announced his retirement come the end of February. The Advisory Board plans to recognize him more formally at the February meeting.

E. "TALK BACK": COMMUNITY COMMENTS ON TOPICS OF COMMON INTEREST

The Chairman introduced the next agenda item, a new topic regarding comments from the communities, how they approach such subjects as water/sewer enterprise accounts and what their concerns are. Today's topic is to invite members to speak to their philosophy about their approach to setting retail rates in each community. Each community does this slightly differently. For example, Newton tries to utilize the approach that the Advisory Board takes during its review of the Authority's proposed budget (for example, under 4% or under 3.9% for water and sewer rates combined). Some communities would like to go to 0%, with no increase in the rates for a given year or years.

The Executive Director explained that at a recent meeting in December of the Executive Committee, members discussed how could the Advisory Board be more effective. One of the major items that came out of that discussion was there needed to be more opportunities for members to offer feedback to the staff and to each other. Hopefully, this will become a regular feature as a means of getting more of a discussion going. An easy example is retail water and sewer rates. There are different approaches across the board. The Advisory Board has done a water and sewer survey now for almost three

decades, which tracks communities' rates over time. The report includes a lot of graphs and expanded information on each community. This year, the average combined rate increase for the larger communities was 1%. This is a way to invite discussion on how communities are approaching the rate setting process.

Members observed conditions that they faced during the rate setting process this year. There was declining water consumption this fall because of the relatively wet summer. This may lead to a potential shortfall in consumption that might affect the rates, an issue six or seven years ago. It was observed that this could be a concern in Newton because consumption is much lower than projected, due to the wet summer. In looking ahead to the next year, the community tries to estimate consumption conservatively, but, in this case, it apparently was not conservative enough. How does a community get through the year without running a deficit and what is the source of other funds available to deal with that deficit?

Another observation addressed infiltration and inflow and issues relating to climate change, and rising seas; will there be more issues in terms of increasing flows? Mr. Hornbrook observed that recent sampling and salinity testing were conducted at a couple of pump stations in coastal communities; some high salinity numbers were found. The communities were notified and conducted thorough inspections. They discovered that some of their manholes were in poor condition. The result is a renewed commitment to rehabilitation and maintenance on those manholes. The Authority has some approaches that communities might want to discuss. Mr. Taverna observed that these challenges are not just coastal, and that similar issues are being experienced for communities along the Charles River and increased spending is needed for infiltration and inflow removal which, in turn, affects local water and sewer rates.

Another comment addressed the new tax code, concerning bonds issued for water and sewer work and the deductibility of expenses associated with those bonds. This may be a worthy topic, going forward. Another member observed local efforts to rebuild reserves, to bring a community more in line with other communities. A discussion about what other communities are doing about reserves and what some of the current challenges are and the importance of continuing funding to sustain needed maintenance (and public information and education to ensure support for ongoing maintenance spending). While some communities have tried to keep the local rate increases at 2.5%, others, in the last year, have on average held to 1%. This raises the question as to whether essential work is in fact being done and how does this level of annual increase support the work of the communities? Another community commented on the expectation to using remaining reserves this year; interest was expressed regarding what other communities are planning to do this year although there is some local resistance to having reserves ("extra" or additional funding, some feel, should be used for capital projects). The Chairman noted the facilities in Newton that are at the risk of needing funding from the reserves, making it important to always keeping some monies in the reserves.

The representative from Hingham cautioned about letting work go unaddressed – that the cost of the maintenance and repair that had been ignored can become much more expensive than if it had been addressed when the need was first identified. In the case of Hingham, rates have increased over the five-year period by a total of almost 7%. FY 2019 will probably be the first year that rates may be more like 2.5%. Something needs to be done every year and that work needs to be paid for every year. The representative from Wellesley commented on his community's issues, particularly regarding the sewer charges and the changes that have resulted from new residential construction, new irrigation meters, impacts on sewer use, and related rates and revenue levels. Lexington is addressing similar issues.

In answer to a suggestion regarding developing a prototype flyer that could be included in local water and sewer billings, Mr. Sanchez urged members to determine what approach to educating the local ratepayers is the most effective. Techniques for funding and maintaining the reserve line of funding include using a multi-year approach where needed or anticipated. A newsletter format may also be effective. Some communities are beginning to consider the use of social media to reach their constituents; the Town of Weymouth is experimenting with this approach.

Mr. Favaloro invited communities to provide feedback through the "Talk Back" site on the Advisory Board's website.

F. COMMITTEE REPORTS

Legislative Update

Mr. Favaloro reported that the Baker Administration has determined that there are enough funds to support Debt Service Assistance; MWRA staff have been given the authorization by DOR up to start the process that will allow funding to come through by the end of the year. The application process has started.

Letter to DCR Re: Director's Position

A letter has been sent out to Commissioner Roy (and Secretary Beaton) at the Department of Conservation and Recreation regarding the departure of Mr. Yeo and the importance of pursuing a process to fill the position of Director of the Division of Water Supply Protection that is "open and transparent, that the job description should focus on and remain true to the mission statement, and that the Water Supply Protection Trust, MWRA and the Advisory Board are active participants in final decision-making." He noted that in the past, it had taken over a year to fill the Quabbin position, a situation that is not acceptable (most recently the position is to be filled by Dan Clark who is expected to assume the position soon). The Advisory Board will not tolerate a repeat of that experience for this position. Again, this position is critical; it is not about recreation and other issues but rather about the drinking water supply of (now) 3 million people in the greater Boston area. It is fully expected that the guidance that will drive hiring of this position is watershed-based and will not take such a long time as the Quabbin position. And, again, the MWRA, the Advisory Board and the Water Supply Protection Trust ought to have a seat at that table regarding the candidate.

The importance of watershed protection has more recently been brought home regarding the recent developments regarding the waiver of filtration that had been in place for the water supply of Portland, Oregon. That waiver issued some years ago has been revoked, requiring the construction of a \$500 million water filtration treatment plant for the water supply. Mr. Favaloro emphasized the importance of protecting the Boston area's water supply and guarding against the potential for revoking the Boston water supply's waiver of filtration. Staff also emphasized that the Portland watershed is a closed watershed and does not allow any recreation in the watershed.

New Revisions to the Lead and Copper Rule

Mr. Estes-Smargiassi, from the MWRA staff, reported on recent considerations from MWRA for influencing anticipated revisions to the Lead and Copper Rule. Revisions have been under discussion since 2004. Last Monday, EPA initiated a process under federal Executive Order, termed a "federalism consultation," and included an "unfunded mandates" review looking for input from local governments and other stakeholders (such as state legislators, mayors, and governors, although not water and sewer agencies). AWWA and AMWA will submit comments, and MWRA expects to submit comments. Advisory Board representatives may want to submit comments as well. Some issue areas of importance include lead service lines (including whether EPA should require communities to have a complete lead service line inventory). Should full lead service line replacement be required (from the main all the way to the house)? And, if so, what is the speed that would be required? Should only partial lead service lines be allowed, replacing only the piece in the street? Should distribution of a pitcher filter be required? Should phosphate treatment be required for all systems? Should an annual letter to each homeowner be required?

MWRA staff plan to stay deeply involved in these issues over the next few weeks and months and will distribute the materials as they become available to the Advisory Board staff. A related question is whether the Advisory Board should think about making some comments during the next 50 or so days. In addition, individual communities may want to comment directly. EPA is reaching out to chief elected officials through their respective associations (such as the

Association of State Legislators or governors' associations). Materials will be provided to the Advisory Board staff for the website. [See the handout provided at the meeting.]

G. ADJOURNMENT

A motion was made, seconded and approved, by unanimous vote, to adjourn. The meeting adjourned at 1:11 pm.

Respectfully submitted,

Michael W. Rademacher, Secretary