



Executive Committee Meeting

FRIDAY, SEPTEMBER 14, 2018
8:30 AM

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

Attendees

Lou Taverna	Newton	Brendan O'Regan	Saugus
Michael Rademacher	Arlington	Ralph Pecora	Lexington
John Sanchez	Burlington	Nicholas Rystrom	Revere
Bernie Cooper	Norwood	John Carroll	MWRA Board of Directors
John Sullivan	Boston	Andy Pappastergion	MWRA Board of Directors
John DeAmicis	Stoneham	Joe Favaloro	Advisory Board staff
Elena Proakis Ellis	Melrose	Travis Ahern	Advisory Board staff
Moe Handel	MAPC	James Guidod	Advisory Board staff
Robert King	Somerville	Lenna Ostrodka	Advisory Board staff
Lou Mammolette	Chelsea	Cornelia Potter	Advisory Board staff
Jeremy Marsette	Natick		

DRAFT MINUTES

The Chairman called the meeting to order at 8:34 am and welcomed members and other attendees.

Approval of Executive Committee Meeting Minutes for June 8, 2018

A motion was made and seconded to approve the minutes of the Executive Committee for June 8, 2018. The motion was approved.

Updates

Update by Advisory Board Staff

The Chairman welcomed Travis Ahern to the Advisory Board staff following the recent opening after Matt Romero accepted a new position at Massport Community Advisory Committee. Mr. Ahern had previously been a member of the Advisory Board staff, then accepted a position as the CFO of the town of Danvers. He noted that while he had enjoyed his work in Danvers, he looked forward to a new phase at the Advisory Board.

Mr. Taverna noted that the climate change conference, organized by the Advisory Board at Boston College in June, drew over 140 attendees and was well-received. In August was a successful field trip to the MWRA water facilities around route 128 and west toward Marlborough.

Mr. Favaloro reported that the upcoming meeting of the Advisory Board will focus on the challenges for the new fiscal year, FY 2019. Mr. Laskey will give a presentation; WSCAC and WAC have also been invited to give their outlooks for the fiscal year ahead. The membership of both committees are also invited to attend the meeting. The Advisory Board staff will also give a presentation. The remarks from the Advisory Board staff today will be somewhat brief, given that a similar presentation will be on the agenda for the full Advisory Board in the next week.

Regarding the spring review of the proposed budgets for FY 2019, the Authority's draft included a proposed rate increase of 3.91%; the Advisory Board's review resulted in a recommendation of 3.07%. The MWRA staff recommendation for the final budgeted number for the rate revenue increase in FY 2019 was 3.07% (although not every component that made up the revised number matched up, but the overall recommendation for the rate revenue requirement from the Advisory Board was matched).

Regarding the level of capital spending under the five-year capital spending cap (for the five-year period FY19-23), the next cap was proposed at well over \$1 billion. The Advisory Board recommended a level of under \$950 million. The agreed-upon level settled at \$985 million (under the \$1 billion level). Future cap levels of spending (starting in FY 2024) can be expected to reflect more of the spending needed under the water redundancy program and therefore are likely to be over \$1 billion.

Regarding the Watershed Division, recent budget discussions established a level of funding ready to be put in place so that future improvements made by the MWRA will be covered by insurance (to be provided at a nominal cost). Mr. Favaloro stated that he expected the cost of this insurance to be part of the Watershed Protection Trust budget.

Regarding pension-related costs, the Authority's fund is almost 100% funded. The Advisory Board has been adamant in recommending that the Authority revisit the payments that they have proposed for annual amounts to be put into the pension account. The Authority has used as a guideline that by 2024, they would be at 100%. This will be a topic of continuing discussion. The Advisory Board has stated that the pension payments must be balanced by other items in the annual budgets, such as Other Post-Employment Benefits funding.

The next key topic was the Advisory Board's recommendation that the annual increases to Rate Revenue Requirements be no more than 2.4% by 2024. The Authority staff is already targeting projected debt payments (and the use of defeasance funding) for the years 2020 through 2023 to work to reach this goal.

Regarding the legislative strategy, the state Legislature is on a two-year cycle. Legislation needs to be filed by the second week in January. The goal is to preserve a strong relationship with the rank and file, even as individual legislators may come and go. One of the goals is to develop a plan for the redundancy program (which could cost \$1.2 – 1.4 billion). We need to show that the program is critical to us and our ratepayers and communities. We plan on filing some bill that talks about funding from the Commonwealth. While this effort is a long-shot, is important to make that case.

Regarding office matters, the Advisory Board is now fully staffed. The annual audit was conducted over the summer; there were no "findings."

Regarding budget and finance issues, some of the ongoing "hot button items" for review will be the OPEB/Pension discussion, Authority staffing needs (as they relate to the redundancy program - Kathy Murtagh will be on the agenda for next week's Advisory Board meeting), how to address the Advisory Board's recommendations regarding limiting future rate revenue increases to 2.4% by 2024, and use of defeasance funds.

Regulatory issues will be significant going forward. In particular, is the issue of co-permittees and the NPDES permit. This issue impacted the Authority's involvement in paying for the relocation of the cross-harbor cable. Co-permittees also involves the future direction of meeting new stormwater requirements and the possible future role of the MWRA. This past summer marked the first year of the stormwater permits.

Regarding system expansion, Mr. Favaloro noted that there has been ongoing discussion of the existing policy and how best to sell the MWRA's resources to other communities. These efforts have been met with limited success. He reviewed recent discussions and the current status of these discussions (including Peabody, Burlington, Ashland, and Hopkinton). Dedham-Westwood is in the process of taking a water treatment plant out of service for maintenance. This would require purchase of water for at least five or six months (an additional 1 mgd). Other discussions continue with Union Point. Also, the Crescent Ridge Dairy in Sharon may need a small sewer connection to Stoughton.

Regarding watershed protection issues, Mr. Favaloro reported that the Watershed Protection Trust met the previous week. He noted that there are a couple issues that are being monitored (including the discussion around adequate insurance). Concerning the Ware River recreation plan, issues reported at previous meetings have "cooled down," but there are still issues to be worked out that work for everybody. For example, hiring activity has slowed down, with 19 positions short at the division (despite the fact that the Watershed budget is outside of the state budget.) Inadequate staffing interferes with the implementation of the watershed program's work plan.

Next Meeting of the Executive Committee

Mr. Favaloro suggested that, because the Executive Committee does not have a regular meeting in October or December, that a special session on the subject of finance expenses of the Authority be scheduled for October. He noted that 63 cents of every dollar spent on operating-related expenses goes to debt-related expenses. Mr. DeAmicis stated his support of such a focused discussion, saying that he needed to know more about the debt service expenses. Following a meeting with Matt Horan, the Treasurer of the MWRA, Mr. DeAmicis suggested that a similar discussion of the components of debt service-related expenses would be helpful to other Advisory Board members. It was agreed to schedule such a meeting for October and to bring in the Authority's Financial Advisor as well.

Nominations for the FY 2019 Advisory Board Executive Committee

The Committee addressed a listing of proposed members for the FY19 Executive Committee:

Chair:	Lou Taverna, Newton
Vice Chair of Finance:	Bernie Cooper, Norwood
Vice Chair of Operations:	John G. Sanchez, Burlington
Secretary:	Michael W. Rademacher, Arlington
Treasurer:	John P. Sullivan, Boston
At-Large:	John DeAmicis, Stoneham
	Elena Proakis Ellis, Melrose
	Moe Handel, MAPC
	Robert King, Somerville
	Tim MacDonald, Cambridge
	Lou Mammolette, Chelsea
	David Manugian, Bedford
	Jeremy Marsette, Natick
	Brendan O'Regan, Saugus
	Ralph Pecora, Lexington
	Nicholas Rystrom, Revere

Staff noted that the list was the same as last year, absent the recent resignation of Carol Antonelli of Wakefield, who has retired.

Reflecting that recent retirement, a motion was made to fill the vacant position, and to amend the list of candidates to include Yem Lip from Malden. The motion was seconded and the revised list of candidates for the FY 2019 Executive Committee was approved unanimously, as amended. The proposed total number of Committee members is 17.

Approval of Advisory Board Meeting Agenda for September 20, 2018

A motion was made and approved to accept the proposed agenda for the Advisory Board meeting for September 20, 2018.

Adjournment

A motion was made **TO ADJOURN THE MEETING AT 10:03 A.M.**

Respectfully submitted,

Michael W. Rademacher, Secretary