



MWRA ADVISORY BOARD

SUMMARY OF:

MWRA BOARD OF DIRECTORS' MEETING

WEDNESDAY, MARCH 7, 2007

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on **March 7, 2007** at the Charlestown Navy Yard. **Present:** Lucile Hicks and Rudolph Banks, Gubernatorial Appointees; John Carroll, Andrew Pappastergion and Joseph Foti, Advisory Board Representatives; Vincent Mannering, Kevin Cotter and James Hunt III, City of Boston Representatives; Joseph MacRitchie, City of Quincy Representative. **Absent:** Chair Ian Bowles, Gubernatorial Appointee; Marie Turner, Town of Winthrop Representative.

REPORT OF THE CHAIR

No Report.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey reported that there was an E-Coli problem in the City of Woburn's water tanks which prompted an alert to boil water. The outbreak was tied to bird activity in the water tank. The MWRA provided help to the City of Woburn to clean up the situation.

MWRA staff notified Board members about a letter from the American Council of Engineering Companies regarding the procurement process and cost as a factor. They may seek an audience with Board members to propose a method of procurement that would select the best firm and then negotiate the price. The Authority's model indicates that price needs to be a factor in the procurement process.

The Water Resources Commission held two hearings on the Town of Wilmington's admission to the Waterworks system; one meeting was held at Quabbin, with testimony provided by Eileen Simonson of the Water Supply Citizens Advisory Committee. The other meeting was held in the Town of Wilmington, with testimony from a representative of the League of Women's Voters, which was supportive of Wilmington's application. Staff anticipates that Wilmington will be before the Board of Director's for a vote in the summer or fall.

Mr. Laskey noted that the earlier start to daylight savings time this year has been dubbed a mini-Y2K and there were concerns about problems it could cause to computers. He noted that the MIS Department was preparing for it and utilizing patches to correct the computer systems through the Authority.

Mr. Laskey provided a personnel update, noting that long-time employee Ralph Wallace accepted a position with the School Building Authority. Mr. Laskey praised Mr. Wallace as being invaluable to the MWRA in many roles including the CSO program, energy procurements, Deer Island and the recent major debt restructuring. He noted that Mr. Wallace had a role in every turn and major accomplishment of the Authority. The Board recognized Mr. Wallace with applause. Mr. Wallace addressed the Board and said that after his 12 years at the Authority, he hoped to have helped people achieve great things. He noted it was an honor and privilege to have held several positions and to serve within the Authority.

APPROVALS

TRANSMITTAL OF PROPOSED FY08 CURRENT EXPENSE BUDGET

The Board voted to approve the transmittal of the Proposed FY08 Current Expense Budget to the MWRA Advisory Board for its 60-day review and comment period.

The Proposed FY08 CEB recommends a combined increase in rates and charges of 6.4%. While capital financing costs remain the largest component of the CEB, other escalating expenses such as health care and newly required impacts of funding for post-employment benefits under GASB 45, which becomes effective in FY08, continue to put pressure on the operating budget. Mr. Laskey called the Board's attention to the new accounting on rules for future health care benefits for retirees which will have a significant impact on MWRA budgets.

The Advisory Board has 60 days from the transmittal of the Proposed FY08 CEB to review the budget and prepare comments and recommendations. During the review period, Advisory Board and MWRA staff will continue to meet and evaluate the impact of changing circumstances as they arise. Following the receipt of the Advisory Board's comments and recommendations, MWRA presents its official responses to the Board of Directors at budget hearings usually held in the spring. Staff will present the final budget and schedule of assessments and charges for FY08 to the Board in June 2007.

SURPLUS OF SUDBURY RIVER, SOUTH BASIN WATERSHED LANDS

This item was withdrawn from the Board's agenda and placed on hold for a future meeting.

Mr. Laskey stated the Authority pays PILOT payments on some land not used for watershed protection in 50 or more years. Board Member Vincent Mannering said there were many reasons to rush on this issue.

ADOPTION OF EXECUTIVE ORDER #481 CONCERNING UNDOCUMENTED WORKERS ON STATE CONTRACTS

The Board voted to adopt and implement Executive Order #481, "Order Prohibiting Use of Undocumented Workers on State Contracts," as a new component of MWRA's existing procurement policies.

On February 23, 2007 Governor Deval L. Patrick issued Executive Order #481 entitled "Order Prohibiting Use of Undocumented Workers on State Contracts." In response to the issuance of that Order, the Executive Director has directed MWRA staff to adopt and implement the Order as a new component of MWRA's existing procurement policies. Implementation of the Order will include modification of standard contractual provisions applicable to MWRA procurement packages so as to allow the policy to be included in all future procurements. Implementation will include a written notice to all existing vendors and contractors, indicating that the MWRA has adopted the Order and will expect full compliance with the Order's provisions.

The adoption of the Order is not intended to be a replacement of the Authority's existing procurement policies, which already prohibit the use of undocumented workers, but is rather intended to be an additional and complementary feature of those policies.

This item was on the Board agenda as an information piece when Mr. Mannering asked the Board if a vote should take place. General Counsel Steve Remsberg said that the adoption was an affirmation of current policy. Mr. Mannering asked for a motion and the Board unanimously voted to approve the Executive Order.

FINAL CSO ANNUAL REPORT 2006

The Board voted to authorize staff to submit the Combined Sewer Overflow Annual Progress Report 2006 to the Federal District Court by March 15, 2007, in compliance with Schedule 7 of the Boston Harbor Case.

Staff has completed and is prepared to submit its final *Combined Sewer Overflow Annual Progress Report 2006*. Last month staff distributed copies of the draft report to the Board, the MWRA Advisory Board, Boston Water and Sewer Commission (BWSC) and public works officials in the cities of Cambridge, Chelsea and Somerville for their review and comment. The Advisory Board and BWSC submitted comments, which resulted in several minor revisions. Staff plans to submit the Annual report to the Federal Court and the Court Parties on March 15, 2007, along with MWRA's Compliance Report. The Annual Report will also be publicly available on the MWRA website.

The approved FY07 CIP and the Proposed FY08 CIP include \$812 million and \$803 million, respectively, for the CSO Control Program, including planning, design and construction.

Mr. Laskey noted that many CSO projects are coming online and he would like to bring public attention to these completed projects.

MEMORANDUM OF UNDERSTANDING WITH THE CITY OF BOSTON FIRE DEPARTMENT, NORTH DORCHESTER BAY CSO TUNNEL RESCUE AND EMERGENCY RESPONSE SERVICES, CONTRACT 7103

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a Memorandum of Understanding with the City of Boston Fire Department for tunnel rescue/ emergency response services related to the construction of the North Dorchester Bay CSO Storage Tunnel, in an amount not to exceed \$822,449 for a term of 1,006 days from the Notice to Proceed.

The North Dorchester Bay CSO Storage Tunnel contract is the largest construction contract associated with the North Dorchester Bay CSO Control Plan to eliminate CSO discharges and reduce stormwater discharges to the South Boston beaches. The contract includes construction of a 17-foot diameter, 11,000-foot tunnel in soft ground using a tunnel boring machine, a mining shaft at the downstream end of the tunnel in Massport's Conley Terminal, an equipment removal shaft at the upstream end of the tunnel near the Bayside Exposition Center, six intermediate drop shafts at the existing CSO outfalls, CSO and stormwater diversion and control structures and associated shallow piping and utility conduits.

Construction of the North Dorchester Bay CSO Tunnel presents unique fire safety/rescue challenges for construction personnel and equipment. Rapid response teams need to be highly trained and provided with high quality rescue equipment. Experience with tunnel rescue incidents on the Boston Harbor Project and the MetroWest Tunnel has demonstrated the importance of ensuring the availability of rescue teams from local sources in addition to the rescue teams required by federal regulations. Discussions with the Boston Fire Department have centered on their possible involvement as an additional resource for tunnel support rescue services. The MOU will provide funding for the necessary training and will ensure the full-time availability of at least 38 fire department personnel, as well as the associated rescue equipment.

MEMORANDUM OF AGREEMENT WITH THE CITY OF BOSTON PARKS AND RECREATION DEPARTMENT REGARDING THE UNION PARK DETENTION/ TREATMENT FACILITY, AMENDMENT 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment 2 to the Memorandum of Agreement between the Boston Parks and Recreation Department and Massachusetts Water Resources Authority, regarding the Union Park Detention/Treatment Facility, in an amount not to exceed \$50,000.

On March 18, 2003, the Boston Parks and Recreation Department (BPRD) and MWRA executed a Memorandum of Agreement (MOA) for an amount not to exceed \$500,000. The MOA included terms pertaining to design and construction services for both a replacement playground and a passive recreational park to be built on top of the detention tanks upon completion of construction.

Board member Andrew Pappastergion asked about a situation in the South End involving a wrought iron fence. Frank DePaola, Director of Engineering & Construction, answered that the material is ornamental iron, not wrought iron. The job was bid with chain link fence. Subsequent meetings in the South End neighborhood, after approval, requested an upgrade. Mr. Pappastergion asked about the cost of the project and MWRA's share. Mr. DePaola responded that the BPRD will pay up to \$25,000 and the MWRA will pay up to \$50,000 for the cost of the fence, based on the bid unit price.

APPOINTMENT OF PROJECT MANAGER, INSPECTIONS, TRAC

The Board voted to approve the Executive Director's recommendation to appoint Mr. Alix Pierre-Louis to the position of Project Manager, Inspections, Toxic Reduction and Control Department (TRAC), Operations Division (Grade 25, Unit 9), at an annual salary of \$72,975, effective March 10, 2007.

This position is responsible for overseeing the scheduling of inspections, drafting of inspection reports, implementing the annual industrial survey and day to day field activities to ensure EPA program requirements are met. The position addresses an important need within TRAC to strengthen and formalize the survey and inspection process. This position was posted internally because it was recognized that sufficient experience and knowledge existed within MWRA's current workforce. Six candidates applied for the position and all six were interviewed. Mr. Pierre-Louis was selected as the best and most qualified for the position. Mr. Pierre-Louis began his employment at MWRA in 1989 and has been with TRAC since 1990.

CONTRACT AWARDS

DEER ISLAND TREATMENT PLANT, LANDSCAPE AND GARDENING SERVICES: UNICCO SERVICE COMPANY, CONTRACT S433

The Board voted to approve the award of Contract S433, Deer Island Treatment Plant, Landscape and Gardening Services, to the lowest responsive bidder, UNICCO Service Company, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$42,505 for a term of 730 calendar days from the Notice to Proceed.

Contract S433 will provide scheduled landscape and gardening services, as well as unscheduled, as-needed landscape and gardening services as required for the areas located adjacent to the Administration and Lab Building, Main Entrance Guard Shack and Reception and Training Buildings at Deer Island.

This work has historically been performed by Deer Island maintenance staff; however, staff has determined that contracting out this work to professional firms with industry specific expertise and equipment will be more economical and beneficial for MWRA. Staff formerly assigned this task will now be available to support primary and secondary clarifier preventative maintenance activities.

Contract S433 was competitively bid as a non-professional services contract. UNICCO Service Company's bid price is 16% below the Engineer's Estimate and is established as a competent and reliable company, having successfully provided janitorial services at Deer Island for several years.

MAINTENANCE SERVICES FOR THE CONTINUOUS EMISSIONS MONITORING SYSTEMS THERMAL POWER PLANT, DEER ISLAND TREATMENT PLANT: PRECISION PREVENTATIVE MAINTENANCE COMPANY, INC., CONTRACT S436

The Board voted to approve the award of Contract S436, Maintenance Services for Continuous Emissions Monitoring Systems, Thermal Power Plant, Deer Island Treatment Plant, to the lowest responsive bidder, Precision Preventative Maintenance Company, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$76,500 for a term of 730 calendar days from the Notice to Proceed.

The Thermal Power Plant at Deer Island contains two high pressure boilers that supply steam to heat the facility and operate turbine generators for electrical power generation. The boilers were designed to operate by burning either gas or #2 diesel fuel. The combustion gases from the boilers exhaust to a 150-foot dual-flue, steel stack. In accordance with state and federal regulations and air quality permits, the Thermal Power Plant contains gas-sampling equipment that constantly analyzes the boiler exhaust.

Contract S436 was advertised and publicly bid as a non-professional services contract. Precision Preventative Maintenance Company, Inc.'s bid is 63% lower than the Engineer's Estimate. Staff attribute Precision's current bid price to an aggressive bidding approach and the firm's familiarity with Deer Island's CEMS equipment and the scope of work included in the contract. Staff have reviewed Precision's bid and have determined that it is reasonable, complete and complies with all requirement of the specifications.

CONTRACT AMENDMENTS/CHANGE ORDERS

UPPER NEPONSET VALLEY REPLACEMENT SEWER, SECTIONS 685 AND 686: P. GIOIOSO & SONS, CONTRACT 6191, CHANGE ORDER 10

The Board voted, with Mr. Pappastergion opposed, to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 10 to increase the amount of Contract No. 6191 with P. Gioioso & Sons, Inc., Upper Neponset Valley Replacement Sewer, Sections 685 and 686, in an amount not to exceed \$800,000. Further, the Board voted to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6191 in amounts not to exceed the aggregate of \$250,000 and 180 calendar days.

The Upper Neponset Valley Sewer was constructed between 1896 and 1902 and extends approximately four miles through West Roxbury and Newton. The system receives wastewater from the communities of West Roxbury, Newton, Brookline and a small portion of Dedham. During wet weather, the capacities of these lines are often exceeded resulting in surcharging and overflows. Contract 6191 will replace existing MWRA sewers, thereby increasing the capacity of the Upper Neponset Valley Sewer to the level of service provided to all MWRA sewer member communities. This change order includes adding \$800,000 for additional police details.

The cumulative value of all changes orders to this contract total \$1,654,801.59, or 4.6% of the original contract amount of \$35,779,000, for an adjusted total of \$37,433,801.59 or \$534,801.59 over budget. Work on this contract is approximately 78.4% complete. The FY07 CIP contains a budget of \$36,899,000 for Contract 6191.

Mr. Pappastergion asked what factors determine how many police details are needed. Isidoro Perez, Construction Coordinator, answered that the Authority has an approved traffic plan, but ultimately the police decide on the numbers of details. Mr. DePaola noted that the Veteran's Administration Hospital complained their workers and patients could not get out of their facilities. Deputy Chief Operating Officer Charles Button stated there had been complaints about noise and traffic from the community and local access is a major need on this project. One solution was to work days to reduce noise but then traffic complaints increased.

REHABILITATION OF WATER PUMPING STATIONS: BARLETTA ENGINEERING CORPORATION, CONTRACT 6375, CHANGE ORDER 1

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 1 to increase the amount of Contract No. 6375 with Barletta Engineering Corporation, Rehabilitation of Water Pumping Stations, in an amount not to exceed \$252,000. Further, the Board voted to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6375 in amounts not to exceed the aggregate of \$250,000 and 180 calendar days.

Contract 6375 will rehabilitate five water pumping stations to provide an adequate, reliable water supply for the next 30 years. These five pumping stations function to replenish the volume of water to various MWRA storage tanks. The need for rehabilitation was identified as a result of detailed condition surveys performed in 2005. This Change Order will provide \$252,000 to furnish a Tier-2 Compliant 1,000-KW Electric Generator. This is the first change order under this contract.

The FY07 Capital Improvement Program includes \$21,458,000 for Contract 6375. Including this change order for \$252,000, added to the original contract amount of \$18,157,000, the adjusted sub phase total is \$18,409,000.

Ms. Hicks asked if this Change Order is the result of a design problem. Mr. DePaola responded that during the bid phase, bidders could only get a one quote for a generator, and by deleting it, all bids were on a level playing field.

INFORMATION

UPDATE ON RUTLAND-HOLDEN SEWER O&M FEES

The 11-mile Rutland-Holden Trunk Sewer was originally completed in 1934 by the Metropolitan District Commission (MDC) to help maintain and protect the purity of the water supplied from the Wachusett Reservoir, the Quinapoxet River (a tributary to the Wachusett Reservoir) and the Ware River. In the 1970s, MDC constructed a 9-mile long relief sewer to address capacity issues. The two lines are hydraulically connected. The Department of Conservation & Recreation's Division of Water Supply Protection (DCR-DWSP) retains ownership of the Rutland-Holden sewers, while MWRA is responsible for operations and maintenance. DCR-DWSP issues bills to the five user entities to cover transport charges in the Worcester collection system and treatment charges for the Upper Blackstone Treatment Facility. MWRA charges the five entities actual operational and maintenance costs incurred annually for the Rutland-Holden sewers.

MWRA and DCR recognize the multi-party management of the sewer system is not efficient. The 2004 MOU memorializes that the parties agree to mutually support efforts to transfer ownership and control of this sewer system to the towns or other sewer district. The MWRA Advisory Board has coordinated a meeting of all parties, including

DCR and MWRA, for March 19 in West Boylston to begin the discussion of different options for management/ownership of the Rutland-Holden sewers.

MWRA's annual operation and maintenance charge for the Rutland-Holden sewers is increasing significantly compared to last year's assessment for three reasons: increased routine maintenance activities, a comprehensive 4-year program to internally TV-inspect and clean the system, and an added indirect cost rate on labor, including fringe benefit costs.

Mr. Mannering asked how the MWRA collects money from the user communities. John Gregoire, Program Manager, Western Operations, indicated that the communities are billed directly. Mr. Gregoire asked what the communities would do when they saw that their bill was double. Mr. Gregoire indicated that the communities were aware of a special cleaning project was coming for \$45,000; however, the communities are likely not aware that charges for overhead will be assessed. Mr. Mannering asked how the communities receive permits. Mr. Gregoire responded that there is a NPDES permit for the Upper Blackstone. Mr. Hornbrook added that Rutland and Holden do not have a permit; however, there are DEP regulations.

Ms. Hicks asked if the user communities were considering forming their own sewer district. Mr. Hornbrook responded that a sewer district is one idea but there is no negotiation underway on that topic. He noted that the issue was extremely complicated because there were several towns involved. He noted that the Advisory Board was very active on this issue.

Joseph Favaloro, Executive Director of the MWRA Advisory Board, noted that he has been in conversation with the various parties and they have all agreed to come to the table in order to participate in developing a framework for alternatives. The first step is letting the communities know what the costs are right now; they were paying pennies on the dollar.

Mr. Laskey noted that it is grossly inefficient for MWRA to provide sewer service to these communities and it was time to issue a reality based budget that reflected the actual costs.

Board Member Joseph MacRitchie asked if these municipalities are billed if there is a sewer break. The MWRA does not bill Quincy for these types of issues. Mr. Laskey noted that Rutland and Holden are not member communities, Quincy is; therefore, Rutland and Holden would be charged. Mr. Hornbrook added that the MWRA does charge member communities Operations and Maintenance and overhead costs but MWRA had not been charging actual costs in Rutland and Holden. He noted that it was important for MWRA to show the user communities that there are advantages to owning their own lines.

Mr. Favaloro added that the major issue is growth; the communities want to grow and it is in their interest to have control of their own destiny.

Eileen Simonson, Co-Executive Director of the Water Supply Citizens Advisory Committee (WSCAC), stated that the building of this sewer was a function of watershed protection. WSCAC has no objection to the goal of being in a better financial situation. She suggested that the MWRA consider a threshold payment that would be committed to the historical purpose of the sewer; the Towns should pay the difference for growth taking place in the region.

ANNUAL REPORT ON NEW CONNECTIONS TO THE MWRA SYSTEM

The 2006 Annual Update on New Connections to the MWRA System details new connections to MWRA's system and includes information on each connection. The Leggs Hill YMCA in Salem/Marblehead was admitted into the Waterworks system in 2006 under the MWRA "water straddle" policy. A six-month emergency water withdrawal by Wilmington was also approved. There were no sewer connections approved in 2006. The report also provides updated information on water and sewer connections approved in prior years, as well as prospective requests.

Ms. Hicks requested that staff expand on the Cambridge School in Weston. Pamela Heidell, Policy and Planning Manager, responded that last year illegal connections for the Cambridge School in Weston to the sewer system were discovered. The MWRA asked the Cambridge School to provide documentation that these connections had been approved and proof that a connection fee had been provided. Ms. Heidell said through a series of correspondence, we thought we were progressing but the contacts that we were working with left and we are back to square one. MWRA continues to outline its requirements and discuss an entrance fee and is monitoring flows. Further, the

Cambridge School must remove inflow from the system. Staff is optimistic that their application will be submitted within the next year.

Ms. Hicks asked about the status of the Regis College situation: Did they go through the Waltham system again? Mr. Laskey responded in the affirmative; they are connected through a force main that goes into the Waltham system. Ms. Heidell noted that Regis College has not contacted the MWRA yet; they know they need approval from Waltham and Weston. Mr. Hornbrook noted that the MWRA's approval was based on flow that did not include new development. They need Advisory Board, MWRA and Waltham approval. There will likely be legal disputes. There are odor problems where Regis connects with Waltham.

Ms. Hicks said that she did not want the Board to be surprised by this issue, noting that the MWRA should prepare legally for the conflict.

Mr. Mannering asked whether the new connection with the Dedham Westwood Water District was a good deal for them or a good deal for MWRA. Ms. Heidell indicated that the solution was a good backup plan in case of an emergency.

Board Member Kevin Cotter asked if the staff had an idea of a schedule for the naval air station redevelopment. Ms. Heidell indicated that it was in the planning stage, but on an aggressive schedule, and could be presented in FY08.

DELEGATED AUTHORITY REPORT – FEBRUARY

Staff provided the Board with a listing of delegated authority actions over \$25,000 for the period January 1 through January 31, 2007. The report provided information on two sections: construction/professional services and purchasing.

FY07 SECOND QUARTER ORANGE NOTEBOOK

The Orange Notebook presents performance indicators for operational, financial, workforce and customer service parameters. The significant outcomes for the quarter are in the following areas: Deer Island and Clinton Treatment Plant Operations, Maintenance and NPDES Permit Compliance; Field Operations; Construction; Drinking Water Quality and Supply; Management and Finance.

Mr. Hornbrook indicated that the FY07 Second Quarter Orange Notebook notes that MWRA's self-generation of electricity is below target for the year because both hydro units were offline beginning in October through November, with repairs made in mid-December.

Mr. Carroll asked: What is the effect of not meeting the energy goal? Mr. Hornbrook responded it saves money if MWRA is below the goal. Mr. Carroll asked if there would be impact in the quality of effluent. Mr. Hornbrook responded that the quality of effluent going to disinfection is a better quality than expected. The MWRA has a fecal coliform number it has to meet and the Authority is well below that number.

Mr. Carroll asked how much money was generated via the production of electricity. Treasurer Ralph Wallace responded that the 500,000 megawatts produced equals approximately \$30,000 and the cost is six cents per kilowatt hour.

Mr. Mannering noted that he did not like the trends on the graphs in the Workplace Safety section of the Notebook. Mr. MacRitchie noted that according to the graphs that address workforce management, the use of sick time is high and that office positions had higher levels of sick time usage than manual labor positions. Director of Human Resources Bob Donnelly responded that the high sick time usage occurred in departments that had employees with significant medical leave situations. Mr. Mannering commented that explanations included with graphs would be helpful.

FY07 MID-YEAR CAPITAL PROGRAM PERFORMANCE REPORT (PPR)

Total MWRA Capital Improvement Program spending in the first half of Fiscal Year 2007 was \$67.9 million, which is \$45.7 million or 40% less than budgeted, including contingency. Excluding the contingency budget, the variance is \$36 million or 34% less than the year-to-date budget. Spending totaled \$43.7 million for Wastewater projects, \$23.9 million for Waterworks projects and \$0.4 million for Business and Operations Support Projects.

Major wastewater accomplishments include: Upper Neponset Valley Sewer System Replacement Sewer Section 687, Deer Island Sodium Hypochlorite Tank Liner Removal and substantial progress on several CSO projects. Major waterworks accomplishments include: Blue Hills Covered Storage Design/Build contract awarded, Rehabilitation of Five Water Pump Stations Notice to Proceed was issued, Weston Aqueduct Supply Mains Design CA/Resident Inspection (RI) Notice to Proceed was issued, Spot Pond Supply Mains Middle construction substantially complete, John J. Carroll Water Treatment Plant Construction Management/RI contract completed, MetroWest Tunnel Hultman Rehabilitation CP9 Construction was substantially completed and Sudbury Weston Aqueduct Inspection was completed in October 2006.

During the first half of FY07, MWRA distributed a total of \$4.9 million in grants and loans to communities through the I/I Local Financial Assistance Program and \$13.9 million in loans as part of the Local Water Pipeline Improvement Loan Program. Through December 2006, MWRA distributed a total of \$49.7 million in grants and \$88.9 million in no-interest loans to fund 310 separate projects in 43 communities under the I/I program and \$118.5 million in no-interest loans as part of the water loan program since inception of the grant/loan programs.

Major project variances included changes in the North Dorchester Bay CSO Tunnel Project, Watershed Land Acquisition, Union Park Detention Treatment Facility, Braintree-Weymouth Relief Facilities Project and the Local Water Pipeline Improvement Loan Program.

Mr. Laskey said that despite being behind expenditures on many projects, MWRA did make progress by being able to work through the mild winter.

Ms. Hicks asked what is happening in regard to Watershed Land Acquisition. Mr. Hornbrook responded that MWRA budgeted \$8 million for land acquisition but it would be surprising if it was all used. Budget Director Rachel Madden added that the current expenditure is just under \$1 million.

RATE BASIS DATA ADJUSTMENTS AFFECTING FY08 ASSESSMENTS

Staff provided information to the Board about changes to CY2005 wastewater meter data used to calculate FY2007 community wastewater assessments. The adjustments will be reflected in FY2008 assessments.

MWRA annually determines preliminary water and sewer assessments in February and final assessments in June, prior to the new fiscal year. As part of MWRA's Rate Basis Review and Comment Process, water and sewer customers are encouraged to review, comment on and question the rate basis data that MWRA uses to calculate preliminary assessments. Communities have 45 days from the release of preliminary assessments to formally challenge the rate basis data used to compute the preliminary assessments. In 1996, through the Rate Basis Review and Comment Process, water and sewer customers gained additional opportunities to challenge rate basis data through the fiscal year impacted by data change.

Following the replacement of MWRA's wastewater metering system, staff continues to review and adjust CY2005 metered flow data to ensure accuracy in determining system-wide and individual community flows. The CY2005 adjustments highlighted at this Board meeting will result in relatively small changes to the total system daily and maximum month flows. The result of these changes will require adjustments for all 43 communities served by the wastewater system. Most adjustments are in the +/- \$2,000 range; fourteen communities had more measurable rates assessment changes ranging from +/- \$5,000 to +/- \$38,000.

Based on key issues, staff proposed adjustments to CY2005 data for 11 meters. The issues include:

- Multi-Community Changes from Flow Adjustments Due to Erratic Velocity Measurements and/or Silting
- Boston and Cambridge Adjustments from Cottage Farm Flows

Other flow adjustments occurred in Wakefield, Canton and Medford.

PRELIMINARY FY08 WATER AND SEWER ASSESSMENTS

Staff provided the Board with information on preliminary FY08 wholesale water and sewer assessments. The information was transmitted to MWRA communities on March 1, 2007. The Proposed FY08 Current Expense Budget, which assumes the receipt of \$11.25 million in Debt Service Assistance from the Commonwealth, includes a rate revenue requirement of \$527,159,363, an increase of 6.4% over the final FY07 requirement.

Community charges in the MWRA service area vary widely based on local decisions, water usage and sewer flows. MWRA calculates water assessments for customer communities by apportioning the water rate revenue requirement according to each community's share of total water use for the most recent calendar year. MWRA allocates sewer assessments based on each community's share of four allocation parameters: annual wastewater flow, maximum month flow, census population and sewer population.

MWRA's wholesale water rate per million gallons is applied to customers purchasing MWRA water on a pay-as-you-go basis (including customers with emergency agreements). The preliminary wholesale water rate for FY08 is \$2,408.69 per million gallons.

MWRA provides direct retail sewer service to Regis College in Weston and the New England Center for Children in Southborough. Both entities are charged a modified per million gallon "retail" rate. Based on proposed FY08 sewer assessments, the FY08 retail sewer rate is \$6,194.77 per million gallons.

ALTERNATIVE USE OF MWRA PELLETS, NEW ENGLAND FERTILIZER COMPANY, CONTRACT S345

Since 1991, MWRA has disposed of its treatment plant residuals product utilizing a dewatering and pelletizing process at the Fore River Staging Area in Quincy. The Pellet Plant is operated under contract with the New England Fertilizer Company (NEFCO). Sludge is pumped to the pellet plant through the Inter-Island Tunnel where it is dewatered, heat-dried in a rotary dryer to 200 degrees Fahrenheit and formed into pellets. The most common use of pellets is as fertilizer or in a fertilizer blend. Some of the product is bagged for use for MWRA member communities.

NEFCO has entered into an agreement with the Lehigh Cement Company to use the pellets as part of a feed blend to Lehigh's cement kiln operation. The agreement runs from 2007-2015 and NEFCO will ship by rail up to 10,000 tons of pellets annually to Lehigh's cement making plant in Maryland. This usage translates into 25% of MWRA's annual production. There will be no change in the NEFCO process at Fore River to accommodate the agreement with Lehigh. There will be no impact to the actual operation in Quincy; the product is merely being railed to different locations; however, the arrangement could theoretically result in a reduction in the current volume of on-site storage due to a stronger winter market.

Under the terms of the MWRA contract, NEFCO owns the pellets and there is no direct financial benefit or cost to MWRA. The agreement provides indirect benefits to MWRA: it creates a beneficial re-use for the pellets, creates a potential year-round demand, and provides another alternate for disposal long term. Lehigh and NEFCO are responsible for obtaining all local, state and federal permits needed under this agreement.

Mr. MacRitchie stated that he was in favor of anything that gets rid of the pellets; however, the process MWRA currently uses was a result of an EIR, MEPA, etc. He asked if MWRA needed new court approval to change the disposal methods. Mr. Remsberg responded that there was a revised court order regarding residuals backup plans 12 to 18 months ago. If MWRA can find a beneficial use; a court order is not needed.

Mr. MacRitchie asked about the Environmental regulations. Mr. Remsberg said that the state of Maryland issued a permit to allow this type of processing. Mr. MacRitchie indicated that he was concerned about any potential violations since the MWRA went through a very long process to get to the agreed upon solution that they have currently.

Mr. Laskey indicated that MWRA would notify EPA and DEP to ensure they are aware of the agreements. He said a previous concern with environmental regulations was about incineration on Deer Island or in Quincy, which is not the current situation with the cement plants. John Vetere, Director of Deer Island, stated that he will continue to be vigilant about the situation and confirm that it is compliant with all regulations, etc.

I/I LOCAL FINANCIAL ASSISTANCE PROGRAM UPDATE

MWRA'S Infiltration/Inflow (I/I) Local Financial Assistance (grant/loan) Program was initiated in May 1993 to provide funding to member sewer communities to perform I/I reduction and sewer system rehabilitation projects within their locally-owned collection systems. The program goal is to assist member communities in improving local sewer system conditions to reduce I/I and ensure ongoing repair and replacement of the collection system. This program is a critical component of MWRA's Regional I/I Reduction Plan. Following recommendations from the Advisory Board, the Board of Directors approved a total program budget of \$220.75 million from FY93 to FY15. All 43 member sewer communities are participating in MWRA's I/I Local Financial Assistance (grant/loan) Program. A total of \$138.8 million in funding has been distributed.

The estimated average daily flow reduction associated with all local I/I reduction projects that have received MWRA financial assistance is about 72 mgd. Approximately 57 mgd of this estimate is associated with completed projects. This flow reduction “ballpark” figure is based on the communities’ (or their consultants’) peak I/I reduction estimates.

The FY07 CIP includes a budget of \$86,587,500 for grants to the communities (loans are offset by repayments). Community loan repayments are deposited into the MWRA construction fund.

UPPER NEPONSET VALLEY REPLACEMENT SEWER PROJECT UPDATE

The Upper Neponset Valley Sewer was constructed between 1896 and 1902 and extends approximately four miles through West Roxbury and Newton. The system receives wastewater from the communities of West Roxbury, Newton, Brookline and a small portion of Dedham. The original Upper Neponset Valley no longer has the hydraulic capacity to efficiently transport the current volume of wastewater flows so during wet weather, the capacities of these lines are often exceeded resulting in surcharging and overflows. To address this inadequacy in hydraulic capacity, MWRA is replacing approximately 2.3 miles of sewer pipe. This is being accomplished under two separate construction contracts.

Because of the location of the work, the combined project has presented many challenges including work in congested main commuter roads, extremely deep excavations, high groundwater, poor spoils, and the proximity to abutting residences. Both Contractors are making significant progress, including an expectation of completion this summer on the pipeline installation under Contract 6191. Though Contract 6629 only began in November 2006, crews have already made significant progress working through the winter and work has been concentrated within St. Joseph’s Cemetery in West Roxbury and a wetland conservation area referred to as Kessler Woods.

Mr. Mannering asked: what were the costs of mobilization? Frank DePaola, Director of Construction, responded that there were no costs to the MWRA.

Board Member Jim Hunt stated that there were many complications with this project and the staff should be commended for a good job. He asked if there were concerns with ledge issues. Mr. Laskey responded that the original plan involved one particular route but because rock was found there another route had to be determined. Mr. Mannering asked if this project was going into the West Roxbury sewer and how it was working out to have a new sewer going into an old system. Mr. Hornbrook indicated the tunnel project has been reintroduced into the CIP.

LOCAL PIPELINE ASSISTANCE PROGRAM UPDATE

On November 12, 1999, the Board of Director’s approved funding of the Local Pipeline Assistance Program to provide \$250 million in interest free loans to water system communities for pipeline cleaning and lining projects or replacement of unlined water mains. Funds were allocated to member water communities based on their percent share of unlined water pipe. MWRA’s partially supplied communities received prorated shares based on their percentage use of MWRA water. Interest-free loans are repaid over a ten-year period.

Twenty-eight of the forty-one eligible member water communities are participating in the program. Through the first six and one-half years of the thirteen-year program, \$118.5 million in interest-free loans have been distributed to local communities to finance projects that will help maintain high water quality in local distribution systems. The program is a critical element of MWRA’s Integrated Water Supply Improvement Program and was a component of the Board’s October 1998 treatment technology decision for the John J. Carroll Water Treatment Plant. Funding of local projects began in August 2000.

The FY07 CIP includes a budget of \$255,518,000 for interest-free loans to member communities. \$5.5 million has been added since the program’s inception to fund eligible work in communities that were not members when the program started. As community loan repayments are made, they are deposited into the MWRA construction fund. MWRA exposure to make these loans “interest-free” is included in the debt service line in the CEB, with \$3,725,000 budgeted in the FY07 CEB.

This summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Christine Hevelone-Byler at the Advisory Board office with questions, comments or requests for more information.