



**MWRA Advisory Board Summary
of the
MWRA Board of Director's Meeting
Wednesday, May 14, 2008**

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on May 14, 2008 at the Charlestown Navy Yard. **Present:** Chair Ian Bowles and Joel Barrera, Gubernatorial Appointees; John Carroll and Andrew Pappastergion, Advisory Board Representatives; Vincent Mannering, Kevin Cotter and James Hunt III, City of Boston Representatives; Joseph MacRitchie, City of Quincy Representative; Marie Turner, Town of Winthrop Representative. **Absent:** Michael Gove, Gubernatorial Appointee; Vincent Mannering, City of Boston Representative; Joseph Foti, Advisory Board Representative.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey announced that the MWRA would be receiving two grants from the Massachusetts Technology Collaborative (MTC); \$400,000 for design and construction of Deer Island wind turbines and \$400,000 for design and construction to produce hydroelectric power at the Loring Road tanks.

Mr. Laskey indicated that he gave testimony at a State House oversight hearing on pharmaceuticals in the water supply. He noted that it was a positive hearing and DEP and DPH were both present.

Mr. Laskey reported that the MWRA and the communities collected lead samples in March. Preliminary results are almost complete and look good. The system wide results will likely look as good or perhaps even be slightly lower than last fall's results (which were 8.3 parts per billion as compared to the action level of 15) and there is a chance that no communities will individually be above the lead action level, although the results could shift slightly resulting in one or two communities being individually above the lead action level. He noted that there would be a full report presented to the Board in June.

Mr. Laskey stated that the contractor will be turning over the new Braintree-Weymouth pump station next Monday; the station has been online since March 30th. He also updated the Board on the following items: the solar panels at Deer Island have started producing electricity; the Senate included \$10 million in the Senate version of the State Budget; Mr. Laskey had a meeting with Congressman Lynch regarding the odor control facility in South Boston; and there is a pair of nesting peregrine falcons on Deer Island.

Mr. Laskey distributed reusable MWRA water bottles to Board Members, based on an idea of Board Member John Carroll in order to promote drinking tap water from the Quabbin Reservoir.

APPROVALS

EMERGENCY WATER SUPPLY AGREEMENT WITH TOWN OF WILMINGTON

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a six-month Emergency Water Supply Agreement with the Town of Wilmington.

On March 14, 2008, the Town of Wilmington requested a six-month emergency water supply agreement with MWRA to take water through a new interconnection with MWRA in accordance with MWRA Policy OP.05, Emergency Water Supply Withdrawals. This is the sixth six-month emergency withdrawal period for Wilmington. Wilmington's request to MWRA results from ongoing contamination in the Town's Maple

Meadow Brook Aquifer and the potential for the Town wells in that aquifer to draw in contamination from property currently owned by the Olin Corporation.

The lost withdrawal capacity totals approximately 3 mgd. Wilmington's average day demand is approximately 2.15 mgd and peak day demand is 2.85 mgd. The combined capacity of the Town's remaining active wells is approximately 1.85 mgd currently and is dropping off.

Wilmington is pursuing admission to MWRA as a more long-term solution to replace wells lost due to contamination and to reduce stress on the Ipswich River. At the April 17th Advisory Board meeting, Wilmington reported that its application for admission to MWRA may be as early as the fall of 2008, or may be later. Under MWRA Policy OP.05, Emergency Water Withdrawals, several requirements and criteria must be met including no negative impact on the MWRA system and member communities; the development of a long-term plan to remedy supply deficiencies; emergency declaration by DEP; and a detailed description of water conservation and water accountability programs are underway.

CONTRACT AWARDS

EMPLOYEE ASSISTANCE PROGRAM: LIFEWATCH, CONTRACT A519

The Board voted to approve the recommendation of the Consultant Selection Committee to select LifeWatch to provide Employee Assistance Program services and to authorize the Executive Director, on behalf of the Authority, to execute a contract with LifeWatch in an amount not to exceed \$21,260 for a one-year period commencing on July 1, 2008; further, to authorize the Executive Director to exercise a single three-year option to renew the contract in an amount not to exceed \$67,700.

The MWRA has had an Employee Assistance Program (EAP) as part of its union and non-union benefit package since 1990. The EAP is designed to assist MWRA employees and their family members in recognizing and resolving personal problems that do or might interfere with employees' job performance. Three proposals were received for this contract; the EAP Selection Committee reviewed, discussed and scored each proposal. The proposal submitted by LifeWatch was rated the highest overall; LifeWatch has many public and private sector clients and is the MWRA's current provider.

GROUNDS MAINTENANCE SERVICES FOR AUTHORITY FACILITIES: METROPOLITAN BOSTON: APPLE D'OR TREE, INC., CONTRACT OP-91

The Board voted to approve the award of Contract OP-91, Grounds Maintenance Services for Authority Facilities – Metropolitan Boston Area, to the lowest eligible and responsible bidder, Apple D'Or Tree, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$89,780 for a term of 610 calendar days from the Notice to Proceed.

MWRA has utilized outside contractors under several different contracts to perform grounds maintenance service at some of its facilities around the service areas. Contracting out these non-core services has proven to be cost-effective and staff are recommending expanding these contract services to additional facilities with four separate contracts.

Contract OP-91 is one of four new grounds maintenance contracts for the Field Operations Department's greater Boston and western water and wastewater facilities. All of these contracts provided the same basic grounds maintenance tasks such as mowing and trimming at weekly or biweekly frequencies, as well as weed removal and lawn fertilization. Staff arranged a total of 40 facilities into four separate bids by general geographic area in an attempt to generate more interest and competition among prospective bidders.

Three companies submitted proposals for this contract; a staff estimate was also developed based upon MWRA's experience with contracted lawn care services last year. Apple D'Or Tree, Inc. submitted a bid that is 28% lower than staff's estimate. Apple D'Or Tree, Inc. has existing contracts in close proximity to MWRA's facilities, which cuts transportation and travel costs. Apple D'Or Tree, Inc. has successfully completed a similar contract for MWRA last year that included 19 sites.

Board Member Jim Hunt asked if these contractors use MWRA's own fertilizer. Chief Operating Officer Michael Hornbrook responded that MWRA fertilizer is sometimes used. Rick Trubiano, Director of Field Operations, indicated that MWRA allows contractors to choose whatever fertilizer they want. Mr. Hunt responded that it would be a good idea for contractors to use MWRA fertilizer for many reasons including the "greening" of contracts.

GROUNDS MAINTENANCE SERVICES FOR AUTHORITY FACILITIES - NORTH METROPOLITAN BOSTON AREA: APPLE D'OR TREE, INC., CONTRACT OP-92

The Board voted to approve the award of Contract OP-92, Grounds Maintenance Services for Authority Facilities – North Metropolitan Boston Area, to the lowest eligible and responsible bidder, Apple D'Or Tree, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$65,960 for a term of 610 calendar days from the Notice to Proceed.

GROUNDS MAINTENANCE SERVICES FOR AUTHORITY FACILITIES - WESTERN OPERATIONS: APPLE D'OR TREE, INC., CONTRACT OP-94

The Board voted to approve the award of Contract OP-94, Grounds Maintenance Services for Authority Facilities – Western Operations, to the lowest eligible and responsible bidder, Apple D'Or Tree, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$157,700 for a term of 563 calendar days from the Notice to Proceed.

EAST BOSTON BRANCH RELIEF SEWER AND BROOKLINE CONNECTION/COTTAGE FARM OVERFLOW CHAMBER INTERCONNECTION AND GATE CONTROL; ON-SITE CONSTRUCTION INSPECTION PHASE SERVICES: JACOBS ENGINEERING GROUP, INC., CONTRACT 7097

The Board voted to approve the recommendation of the Consultant Selection Committee to select Jacobs Engineering Group, Inc. to provide on-site construction inspection phase services for the East Boston Branch Relief Sewer and Brookline Connection/Cottage Farm Overflow Chamber Interconnection and Gate Control projects and to authorize the Executive Director, on behalf of the Authority, to execute a contract with Jacobs Engineering Group, Inc. in an amount not to exceed \$4,389,382 for a term of 27 months from the Notice to Proceed.

The purpose of this professional services contract is to provide on-site construction field services for the East Boston Branch Sewer Relief Project and the Brookline Connection/Cottage Farm Overflow Chamber Interconnection and Gate Control project, which are being performed pursuant to Schedule Seven of the Boston Harbor Case. These projects will increase the level of CSO control at CSO outfalls BOS003-014, which discharges to Boston Inner Harbor and Chelsea Creek and MWR201 (Cottage Farm CSO Facility), which discharges to the Charles River. The consultant will serve as MWRA's construction representative for both projects and will provide construction project management and resident inspection services.

Three qualifications statements were submitted and evaluated by the selection committee using established criteria. The Committee ranked Jacobs Engineering Group, Inc. first because it is the lowest cost of the three qualified proposers.

The approved FY08 CIP includes a budget of \$3,504,000 for construction services under Contract 7097. This contract for \$4,389,382 is \$885,382 over budget. This amount will be covered within the five-year CIP spending cap. The cost increase is primarily due to the need to work at multiple locations and maintain multiple shifts to complete the project within of the court-ordered schedule as well as the sensitivity of the work area within narrow confines.

OTHER BUSINESS

EXECUTIVE DIRECTOR'S PERFORMANCE REVIEW AND CONTRACT EXTENSION

The Board voted to (1) Rate the performance of Frederick A. Laskey, Executive Director, for Fiscal Year 2008 as outstanding; (2) Extend the term of the Executive Director's employment agreement and

appointment as Executive Director by one year to June 3, 2011, subject to his consent, and (3) Increase his current salary by 3% effective July 1, 2008.

Board Member Marie Turner stated that the Authority is more than fortunate to have these two men at our helm [Executive Director Fred Laskey and Chief Operating Officer Michael Hornbrook].

Mr. Carroll stated the Board and the Authority has a great team, much of it because Mr. Laskey and Mr. Hornbrook have done a super job. They have a great top-down approach and they are honest and hardworking.

Mr. Laskey thanked the Board for their support. He recognized Mr. Hornbrook for his excellent work.

Chairman Bowles praised Mr. Laskey's testimony at a recent oversight hearing at the State House that gathered information on pharmaceuticals in the water supply.

EXTENSION OF CONTRACT FOR CHIEF OPERATING OFFICER

The Board voted to (1) Extend the term of the employment agreement with Michael J. Hornbrook, Chief Operating Officer, by one year to May 31, 2011, subject to his consent; and (2) Authorize the Executive Director to implement a 3% increase in salary for the Chief Operating Officer effective on his Fiscal Year 2008 anniversary date.

INFORMATION

DELEGATED AUTHORITY REPORT – APRIL 2008

Staff provided the Board with a list of delegated authority actions over \$25,000 for the period April 1 through April 30, 2008.

Board Member Andrew Pappastergion asked for clarification on the items regarding the rehabilitation of water pumping stations. He asked if the problems came from design issues. He noted that the the same contractor was involved in two of the rehabilitation projects; what is this problem? Mr. Hornbrook responded that a number of items came up with the first contract including hitting ledge.

Frank DePaola, Director of Construction, stated that the old pump station has to stay online and therefore the Authority split the service and had signals going two ways. This was a design omission. Mr. Pappastergion responded that he understood that these are complex projects, but the Authority is paying engineers good money to lay these plans out; they should be well done.

Mr. Hunt asked for clarification on what purpose the manhole inserts serve. Mr. Hornbrook responded that they are fitted inside the manhole to catch water.

DRAFT FY2009-2013 MWRA BUSINESS PLAN

At the April 16, 2008 Board meeting, staff provided an overview of the Draft MWRA Business Plan for FY09-13. Staff are preparing write-ups for each strategy that include sections on background, description, milestones, measures and budget/fiscal impact, as well as a cross-reference to the EPA-endorsed "Ten Attributes of Effectively Managed Water Sector Utilities".

The MWRA Business Plan is a strategic roadmap that presents specific steps that the agency will undertake to continue to provide excellent quality drinking water; meet high environmental standards for wastewater effluent discharge; expand use of renewable energy in its facilities, as well as implement other sustainability practices; improve the capacity, performance, and reliability of its water and wastewater systems; promote investor and ratepayer confidence in Authority financial management; and manage its staff and support systems resources effectively. The Business Plan is both a communications document and a management tool.

Marian Orfeo, Director of Planning and Coordination, presented the draft overview to the Board, noting the Business Plan will lay out a five-year strategy. She noted that there are changes in the draft based on Board of Director feedback from last month.

Questions and discussion came on two of the strategies relating to permitting and renewable energy. Mr. Hornbrook stated that permits are delegated to EPA and DEP. The state of Massachusetts is not delegated, though 45 other states are. Mr. Hunt responded that Massachusetts has delegated authority in other areas (e.g. air). Mr. Laskey stated that every discussion and decision will come back to the Board of Directors.

Board Member Joel Barrera asked if this business plan is similar to the version from five years ago, especially in regard to alternative energy. Ms. Orfeo said five years ago, the Authority was not pursuing wind and/or solar power. Mr. Laskey added that the changes are partially because of Governor Patrick's priorities in this area and partially because of increasing costs. Mr. Barrera said that he would like to see the document from five years ago to compare what has been successfully completed.

Mr. Barrera asked if the Business Plan would be on the website and whether it was a public document. Ms. Orfeo responded that she would take direction from the Board. Mr. Carroll stated that it was not necessary to post the Business Plan on the website unless it was in a very simplified form. Mr. Laskey added that the document is provided to all those who are interested.

FY2008 FINANCIAL UPDATE AND SUMMARY AS OF APRIL 2008

Staff provided the Board with a financial update and summary through April 2008, comparing actual spending to the budget. Through April 2008, total revenue was \$477 million, \$10.5 million or 2.2% more than budgeted. Total expenses were \$462.3 million, \$0.8 million or .2% more than budgeted.

Mr. Laskey noted that staff have shifted practices in order to get reports that are timelier. He congratulated the staff for a tremendous job of putting the latest information together.

Mr. Barrera asked if staff could update the Board in the steps taken since last month with regard to the upcoming refinancing of subordinate debt. Chief Financial Officer Rachel Madden responded staff has been working feverishly to accomplish the refunding by the end of the month. The official statement has been drafted. Tom Durkin, Treasurer, stated that staff continues to monitor the strategy within this changing environment.

Mr. Barrera asked on the FY08 actual versus the budget, some things are seasonal; do you budget over the course of the whole year? Mr. Barrera asked how much Debt Service Assistance was included in the State Budget. Mr. Laskey responded that the Governor's Budget included \$15 million; the House Ways & Means Budget included \$20 million; and the Senate included \$10 million. He noted that this is the same confusing situation the Authority was in last year.

GASB 45 – OTHER POST EMPLOYMENT BENEFITS UPDATE

At the June 27, 2007 Board meeting, staff recommended prefunding the Authority's Other Post Employment Benefits (OPEBs) in the Fiscal Year 2008 Current Expense Budget. The Board set aside the initial prefunding installment for FY08 based on the evaluation of Aon Consulting, Inc.'s actuarial study which projected the 30-year amortization schedule of the OPEB liability at \$114 million assuming prefunding versus \$253 million with no prefunding.

In the expectation that the Authority will prefund its OPEB obligation in accordance with the actuarial assumptions of the 2007 Aon Report, the Authority have budgeted the sum of \$8.849 million in the FY08 CEB to cover its projected first year contribution to prefunding its OPEB obligation. A working group was formed to develop a comprehensive plan and make recommendations to the Executive Director as to whether it would be advisable to establish a GASB 45-compliant trust to hold and invest annual contributions toward the goal of a fully funded OPEB obligation. The working group spent considerable time considering the GASB 45 requirements.

The financial and accounting benefits of a GASB 45-compliant Plan and Trust are self-evident, but they are currently outweighed by the disadvantage of placing funds in a truly irrevocable trust until further clarification and guidance is available from the IRS, the rating agencies, and other governmental entities relative to the OPEB obligation. The results of this consideration include a recommendation that the \$8.849 million in the FY08 CEB, less \$1.7 million to be paid toward the Authority's current year OPEB expenses, be retained in a reserve fund. In addition, staff recommend depositing \$7.642 million in the proposed FY09 CEB into the same reserve account in accordance with the prefunding schedule for FY09 in the actuarial report. This approach strikes a balance between recognition of the need to take an initial step toward funding this long term liability, while retaining flexibility until additional guidance is available to make an informed decision as to the best investment structure and accounting treatment of these funds.

Funds have been budgeted in the FY08 CEB to cover both the current fiscal period expense and to prefund a portion of the longer-term future liability. The FY09 Proposed CEB also included the recommended level of funds based on the prefunding option of the same actuarial study.

Mr. Pappastergion asked if these points could be combined into a presentation on reserves. Mr. Laskey noted that Mr. Mannering was interested in looking at prefunding strategies that would not raise rates. Mr. Carroll said if the Authority has a reserve, why not use it?

Mr. Barrera stated that the priority of long-term protection for employees has been around for a long time. Ms. Madden added that it is an obligation that has already been committed to; the bill will come due for it.

Joe Favaloro, Executive Director of the MWRA Advisory Board, stated that the issue is how to balance the liability without bankrupting the MWRA, cities and towns, and/or the state. He noted that the MWRA has shown leadership in this process but there must be a balance; it is crazy to put up this kind of money at this point in time.

Mr. Barrera asked what the Authority's peer organizations are doing. Ms. Madden noted that she was meeting with CFOs from other Authorities in the next week. The GASB discussion will be on the June Board of Director's agenda.

COMPLETION OF EAST AND WEST SPOT POND SUPPLY MAINS REHABILITATION PROJECT

MWRA has recently completed an eleven-year, \$62.7 million program to rehabilitate the East and West Spot Pond Supply Mains. These mains consist of approximately 17 miles of mostly 48 and 60 – inch cast iron water mains from Brookline to Spot Pond in Stoneham. The rehabilitation of the mains will protect water quality including maintaining chlorine residual in the system, improve the hydraulic capacity of the pipelines and provide better reliability of both the pipelines and valve operations serving eight communities. Prior to rehabilitation, the carrying capacity of the 100-year old mains was reduced to approximately 50% of the original design capacity due to build up of rust deposits on the pipeline walls.

The East and West Spot Pond Supply Mains Rehabilitation Project began with the award of design services to Montgomery Watson Harza, Inc. in October 1997. The project consisted of four construction phases. The final segment of the rehabilitated water main was activated on May 5, 2008. For the first time in more than a decade the full capacity of the Low Service System is available and fully rehabilitated with new valves and appurtenances. The project required careful sequencing of the work to maintain water service to all eight communities while taking mains out of service for rehabilitation. The project required coordination with the cities and towns to maintain water service, as well as to sequence the work with paving projects and utility construction while maintaining traffic flow during the work. Construction took place in several severely congested urban areas.

The program was delivered below the pre-implementation estimated budget. The estimated completion date in 1998 was March 2008, while the actual completion date was May 2008.

Mr. Laskey noted that this was a long term, massive upgrade to our water system. We want to remind the Board how all the pieces of the puzzle fit together.

Mr. Barrera asked if the MWRA has inspectors come in to look at projects to make sure it is done properly. Mr. Hornbrook responded that there are MWRA construction professionals and project managers to over-see projects. Sometimes the MWRA uses consultants if it is busy; but it is up to MWRA to decide the details of inspecting the work. Mr. Barrera asked if there were any political difficulties that came out in the process. Mr. Laskey responded that there was a lot of discussion with mayors, DPW departments, service announcements, etc. Mr. Laskey noted that Mike Ralph and his public affairs team do a great job of dealing with community concerns.

Anandan Navanandan, Assistant Director of Construction, and Mike Rivard, Project Manager, Water Engineering, gave a presentation on the project. Mr. Navanandan noted that because the work was done only at night, there were additional difficulties with cleaning up and set up at the end and the beginning of each shift. Mr. Barrera asked if it cost more to work at night. Mr. Hornbrook responded that it costs more money to work at night and overall there is less efficiency. He noted that it is a local decision. Mr. Laskey noted that after going through with night projects, most communities wish they had gone with days. Mr. Laskey stated that water and sewer is the forgotten infrastructure; most people have no idea what goes down under their streets.

Mr. Barrera asked for clarification if the MWRA has the legal rights to go into communities to do the work. Mr. Hornbrook responded that sometimes we have easements but we also need local permits. He noted that the Authority coordinates activities with local people and restores what it disturbs. Mr. Laskey noted that there is usually some negotiation about who ends up paying for different pieces of projects.

Mr. Navanandan thanked the Field Operations and Public Affairs Departments for the eight years they have worked hand in hand with Construction to make this project a success.