

**Attachment C:  
Response to Advisory Board Comments & Recommendations on the  
Proposed Fiscal Year 2007 Capital Improvement Budget**

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Recommendation Summary:           11 Monetary  
  16 Non-Monetary

The Advisory Board recommended \$8.7 million in reductions and MWRA staff support 100% of the monetary recommendations. Staff estimate that the net reduction of the adopted changes may exceed the Advisory Board's suggested figure by approximately \$80,000 due to executed and estimated expected change order amounts. The non-monetary recommendations are elaborated upon below.

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- 1    Ensure that the Master Plan includes asset management strategies for the Residuals pelletizing plant and the Clinton Wastewater Treatment Plant.

*Response:*  
Agree.

- 2    Ensure publication of the Master Plan no later than July 2006. Report to the Board of Directors during the spring 2006 regarding progress in preparation of the Master Plan.

*Response:*  
Staff are working to produce comprehensive master plan documents for water and wastewater. A master plan presentation to the Board of Directors will be made during the first quarter 2007. Sufficient information on both water and wastewater system needs will be available in July so that MWRA staff can engage in a dialogue with Advisory Board staff on capital spending in the years beyond 2008.

- 3    Ensure that there will be no changes in the future to the scope and levels of CSO control agreed to in the Joint Motion and Second Stipulation, as filed with the United States District Court.

*Response:*  
Agree. Staff concur that there should be no change in the level of CSO control or scope of work as agreed upon in the Joint Motion through calendar year 2020. Cost increases may occur due to escalation, revisions in cost estimates during design and change orders during construction.

- 4    Limit additional CSO Control Program spending to the \$21.2 million (on a cap basis) requested to support the Revised Charles River CSO Control Plan. Any additional CSO Control Program costs must meet the provisions of the CIP cap.

*Response:*  
Disagree. This project and its baseline estimated cost (\$21.2 million in the proposed FY07 CIP) have been excluded from the cap. Also excluding

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subsequent increases in the cost of this project is consistent with this decision in that neither this project's baseline cost or any future changes in the cost of the project were anticipated when the cap was established. Instead, staff recommend including this project in establishing the next cap. It should also be noted that, consistent with MWRA budget policy, the estimated cost of this project presented in the proposed FY07 CIP is expressed in constant December 2006 dollars. The court schedule requires the construction of the bulk of this project (Brookline and BWSC sewer separation) to commence in June 2008 and be completed in July 2013. Therefore, the mid-point of construction (upon which bids would be based) will likely be late 2010, and construction cost inflation alone is expected to increase the cost of this project.

- 5 Any additional cost increases for the Alewife Brook CSO project must be found within the provisions of the capital spending cap.

*Response:*

Agree. Any significant increase in the cost of the Alewife Brook CSO project will likely occur beyond FY08 and therefore spending remains within the current 5 year cap. Additional costs have already been identified and negotiations with the City of Cambridge will be on-going to determine the MWRA's share of those costs. Any detailed discussion of the additional costs of Alewife Brook with relation to the cap should be included in the comprehensive discussion and decision on the formal adoption of the next cap period for FY09-13.

- 6 Establish and pursue a broad based search process for candidates for the Chief Financial Officer position.

*Response:*

Disagree. The Authority chose to promote from within and recommended the Treasurer and Acting Chief Financial Officer to the Board for ratification. The Board concurred with the Authority's recommendation and Patricia Filippone has been named Chief Financial Officer.

- 7 Ensure MWRA Advisory Board adjustments to all non-CSO projects under the Capital Improvement Program cap be reallocated exclusively to non-CSO capital initiatives.

*Response:*

Disagree. MWRA is obligated to implement the CSO projects included in the Court Order and Schedule Six and at the same time meet the spending cap. Staff must have the flexibility to reallocate capital funds that may become available due to underspending on non-CSO projects to fund increases in the

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cost of CSO programs, if they occur.

- 8 Update assumptions for the outstanding balance owed the Braintree-Weymouth tunnel construction contractor and reduce budgeted amounts by \$0.449 million.

*Response:*

Agree. The Final balancing change order will be for (\$1.5M). The amount in the Proposed 07 budget is (\$1M). Thus, the next reduction concurs with the Advisory Board's recommendation.

- 9 Update assumptions about the budget classification of the *Residuals License Fee* and delete \$0.675 million from the Proposed FY07 CIP.

*Response:*

Agree. \$0.675 million will be deleted from the CIP.

- 10 Ensure that the operating agreement regarding the operation of the Union Park Pump Station and CSO facility carefully delineates responsibilities and protects ratepayer interests throughout the service area.

*Response:*

Agree.

- 11 Hold the budget for the CAM002-004 CSO project to the existing budgeted amounts, with no increase in project budgets.

*Response:*

Disagree. MWRA has already acknowledged significant cost increases in the program and this increase needs to be reflected. MWRA and the City of Cambridge are in on-going negotiations on a cost sharing agreement. Additionally, in accordance with budget policy, the current estimated cost of unawarded contracts is expressed in December 2006 dollars. Escalating these costs to the mid-point of construction alone will result in budget increases.

- 12 Seek maximum participation by developers and contractors in separating combined sewers in the areas involving community-managed CSO sewer separation projects, including the Reserved Channel and Bulfinch Triangle areas.

*Response:*

Agree. The Authority will work with the BWSC and the MEPA process to continue to encourage maximum developer participation in separation of combined sewers in areas that are undergoing large scale commercial

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redevelopment. It should be noted that opportunities for developer participation in sewer separation in Bulfinch Triangle and Reserved Channel at this time are considered limited. In the case of Bulfinch Triangle, the area is already largely separate but currently flows back into a combined sewer so the final separation work offers little potential. With regard to Reserved Channel, the bulk of the area consists of existing residential land uses unlikely to undergo redevelopment.

- 13 Reconfigure the WHWTP CP4 contract estimate to reflect revised and actual cost estimates for a net savings of \$0.21 million.

*Response:*

Agree. The final FY07 budget for WHWTP CP4 will be reduced by \$0.185 to account for the revised estimates and actual change order costs.

- 14 Reduce the Norumbega Covered Storage Project budget by \$0.5 million to reflect the lower than anticipated close out change order settlement amount.

*Response:*

Agree. The final FY07 budget for Norumbega Covered Storage Project will be reduced by \$0.493 million, which is the difference between the estimated and final executed amount of the most recent change order (the actual change order #25 amount of \$1,407,430 and the \$1.9 million in the Proposed FY07 CIP).

- 15 Reduce the Blue Hills Covered Storage Design/Build Field Oversight line item by \$2.322 million reflecting MWRA's intent to utilize in-house staff to administer and review the Design/Build contract.

*Response:*

Agree. The Design/Build Field Oversight budget will be reduced by \$2.522 million.

- 16 Update the Final FY07 CIP to reflect the award to the CVA Pipeline Redundancy Construction project representing a savings of \$2.336 million.

*Response:*

Agree. The budget for the project will be reduced \$2.336 million to reflect the actual award amount of \$6,515,150 for the Pipeline Redundancy Construction contract.

- 17 Reflect the consolidation of the Design phases for the Winsor Dam and Wachusett Reservoir Spillway Improvement projects and January award of the Design contract, representing a savings of \$0.142 million.

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*Response:*

Agree. The Final 07 CIP budget will reflect the single contract award for the design work at these two sites for a savings of \$0.142 million.

- 18 Review the continued need for the Cathodic Protection of Distribution Mains as part of the Master Plan process and incorporate recommended changes into the Proposed FY08 CIP.

*Response:*

Agree. Staff will review the need for continuing Cathodic Protection and incorporate it into the Proposed FY08 CIP, if warranted.

- 19 Reduce the Heath Hill Section 52, Phase 2 Rehabilitation project budget by \$0.741 million, reflecting the January 2006 contract award.

*Response:*

Agree. The contract award of \$7,593,250 on 1/11/06 will be reflected in the CIP.

- 20 Update the Final FY07 CIP to reflect the recommended site remediation plan for the James Gillis Pump Station Rehabilitation.

*Response:*

MWRA's consultant has recommended natural attenuation as the remedial option, with monitoring to track progress of attenuation. MWRA is now in the process of obtaining regulatory approval for this option, and once confirmed would result in a CIP budget reduction of approximately \$0.700 million. Confirmation may be completed in June 2006.

- 21 Reduce the Spot Pond Supply Mains – Rehabilitation Middle (Medford/Somerville) budget by \$0.200 million; and the South (Cambridge/Boston) budget by \$0.325 million, for a net reduction of \$0.525 million, representing actual change order expenses on both projects.

*Response:*

Agree. The Final FY07 budget will reflect a \$0.245 million reduction for the Middle segment construction and a \$0.140 million reduction for the South segment construction for a net reduction of \$0.385 million.

- 22 Report back in the response to the MWRA Advisory Board's FY07 *Comments and Recommendations* on the reasons for the year-to-date lower than projected spending on the Equipment Purchase program and elaborate on projected scope and budgetary adjustments under consideration for the Security Equipment and Installation initiative.

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*Response:*

The MWRA's security initiative was conceived as a multi-year plan to address the varied requirements of each facility and integrate them into a common architecture. Because of the highly dynamic nature of security system technologies, it was recognized early on that launching a program to cover all of the MWRA's facilities in one project would result in an expensive system that would in all probability become obsolete in a very short time.

Instead, we have opted to build a system gradually, determining the right solution for each facility and tying it into a common architecture. This approach also allowed us to determine that while some facilities required constant video monitoring, others could be protected by physical hardening and intrusion detection. At the same time, online water quality sensors and door and hatch alarms have been installed to complement cameras and are important tools in their own right.

The capabilities of cameras, sensors, recorders and transmission paths have improved dramatically and will continue to do so. At the same time, the unit cost of some items will decrease as the technology matures. Implementing this program gradually will ensure that the MWRA system is protected by the best available technology and will not all wear out or become obsolete at the same time.

As we have progressed, we have adopted a layered security concept based on the Deter, Detect, and Delay principle.

In this challenging environment, the MWRA will continue to reevaluate the appropriate level of protection for each facility.

- 23 Reconfigure the Final FY07 CIP cashflows for Phase II of the Business Systems Plan to reflect commencement of the TRAC/IS project during the second quarter of FY07.

*Response:*

Agree. Expenditure forecast adjustments are included in the Final FY07 CIP.

- 24 Trim the Final FY07 Business Systems Plan Budget by \$0.031 million reflecting the Mitel credit.

*Response:*

Agree. The budget for Phase VI will reflect the \$0.031 million credit.

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- 25 Include, in the July 2006 Master Plan, a section on the Business Systems Plan. This section should address how technology will be utilized to maximize system performance, extend the useful asset life and evaluate system conditions. Additionally, provide an update at the May 2007 meeting of the MWRA Board of Directors outlining the primary initiatives of the revised Business Systems Plan.

*Response:*

Agree. The MWRA agrees to include a section on Business Systems Plan in the Master Plan document.

- 26 Update the Board of Directors, in June 2006, regarding MWRA's current plans to meet short and long-term space requirements.

*Response:*

Agree. Support Services and Operations Division staff jointly agree to provide an update to the Board of Directors on the MWRA's current plans to meet short and long-term space requirements. However, given that the plans are still under development, staff will best be able to provide a substantive presentation to the Board of Directors in the fall.

- 27 Reduce the total Authority Contingency Fund by \$0.793 million, reflecting the reductions recommended by the Advisory Board.

*Response:*

Agree.