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SPECIAL REPORT

Facing the Fiscal and Environmental Realities of the MWRA's Mission

From its inception the MWRA Advisory Board has endorsed the goal of a cleaner harbor and improved water and sewer systems. However, this endorsement has been tempered by the knowledge that, absent a significant change in state and federal allocation policy, the \$8 billion price tag will be paid almost entirely by ratepayers. In circulating this Special Report, the Advisory Board hopes to highlight some of its major concerns, including:

Funding

- **Mandates without money**
- **The need for the state to become a partner**
- **Outstanding payments owed to ratepayers**

Scheduling

- **The need to obtain a realistic construction schedule**

Enactment of Legislation

- **Watershed management**
- **Funding**
- **Broken promises**
- **Tax deductions for water and sewer charges**
- **Regulation**

The Advisory Board is confident that, with all concerned parties working together, environmentally sound and reasonably priced water and sewer services can be delivered to communities. However, given the realities of present state and federal finances, there can be no reliance on traditional sources of funding. New and innovative funding mechanisms must be developed at all levels of government and cooperation by all parties—communities, MWRA staff, state and federal officials—the Governor, and the General Court—is necessary so that the goals of the Federal Clean Water and Safe Drinking Water Acts and the MWRA Enabling Act, are achieved.

The Legislature, in the Enabling Act that created the Massachusetts Water Resources Authority (MWRA), also established an independent Advisory Board whose members include the chief elected officials (or their designees) of the sixty cities and towns served by the MWRA, along with a member of the Metropolitan Area Planning Council and six gubernatorial appointees representing various interest groups. The Advisory Board appoints three members of the MWRA's Board of Directors. The Enabling Act gave the Advisory Board the statutory function to oversee specific aspects of the MWRA's operation and to protect the 2.5 million ratepayers' interests. The Advisory Board achieves this aim through its careful review of the MWRA's capital and operating budgets and by issuing recommendations on management practices and policy directions. The Advisory Board also performs the valuable function of serving as a liaison between the communities and the MWRA. Finally, the Advisory Board works for the passage of legislation that protects the environment while distributing the financial burden in an equitable manner.

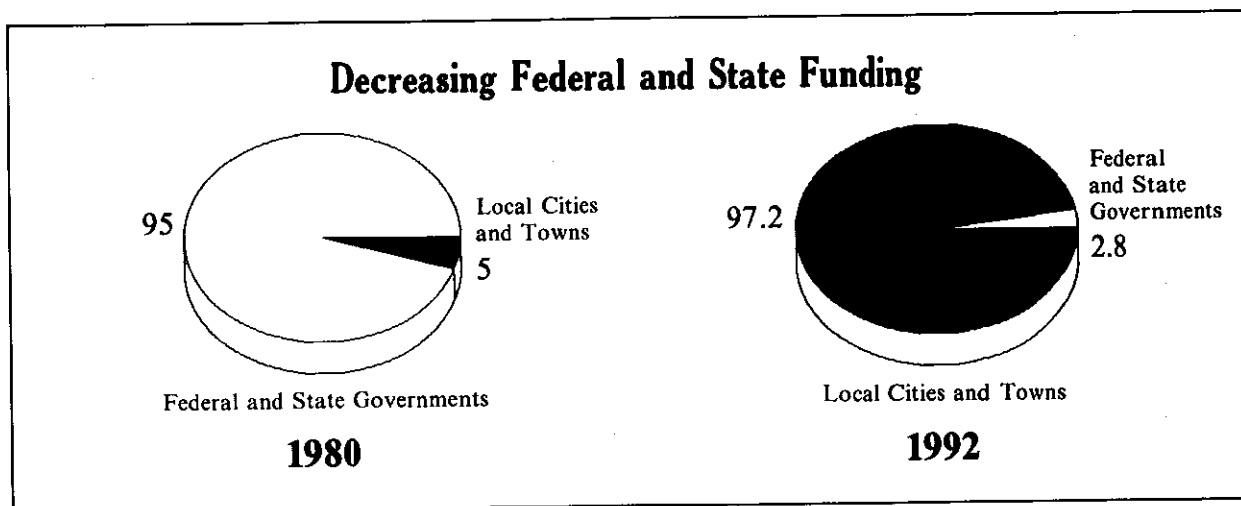
Known Areas Which Substantially Increase Rates

Mandates Without Money

Recent history has witnessed the passage of sweeping environmental laws in the form of the Clean Water and Safe Drinking Water Acts. The Advisory Board is in concurrence with the goals of these Acts. However, faced with a limited revenue base (60 cities and towns) and the revenue restrictions inherent in proposition 2½, the ratepayers cannot be expected to shoulder 98% of the enormous financial responsibilities of these state and federally mandated programs. State and Federal governments must provide the financial support necessary to meet the goals of these mandates. To further a safe environment for

largest wastewater treatment plant construction project in the United States.

Historically, there has been an unbalanced distribution of state funds for wastewater projects. During the years when state and federal grants were funding wastewater projects, cities and towns in what is now the MWRA service area received only 18% of the dollars available, even though ratepayers in those communities made up half the state's population. By 1996, the combined bill for sewer and water is expected to reach \$980 per year, per family, and is likely to reach \$1,450 per family, by the end of this decade; yet, that bill would be reduced substantially if the costs for



ourselves and future generations, both State and Federal governments will once again have to "put their money where their mandates are." The Federal government began dismantling Clean Water Act funding before the cleanup around the country was completed. During the first fifteen years of the Clean Water Act, a federal/state partnership provided 90% of the costs to construct mandated wastewater treatment facilities. One cannot realistically expect that level of funding again, but to the extent that both levels of government truly care about the environment and claim that the cleanliness of our state and federal waterways is a priority, they have an obligation to help fund cleanup efforts. It is neither realistic nor equitable to burden the ratepayer for the cleanup of damages to the harbor that occurred over the decades. Common sense dictates that it is inherently unfair to require ratepayers to pay for 98% of the cleanup, when other parts of the country benefitted from 90% federal funding. The State and Federal governments must assume their rightful responsibility and pay for their fair share of the

wastewater construction were at least partially funded by federal/state participation and/or alternative sources.

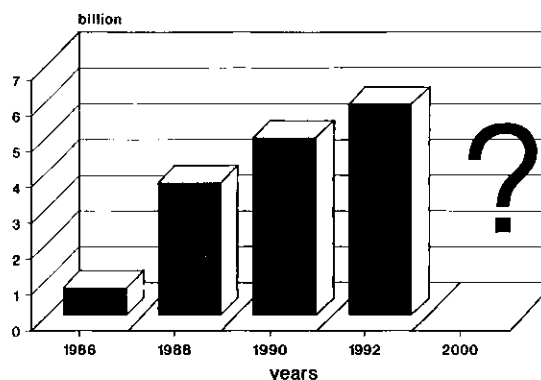
Broken Promises

The Commonwealth has not yet met its fiscal obligation regarding the Clinton Wastewater Treatment Plant. The Commonwealth owes the MWRA (and thereby the ratepayers) for the construction and maintenance of this facility which is not part of the MWRA service network. Funds for the construction of the Clinton Wastewater Treatment Plant were to come entirely from state and federal sources, and although the MWRA would run the new plant, operational costs would be paid by the Commonwealth of Massachusetts. However, the State enacted legislation in 1987 agreeing to subsidize the MWRA for the first \$500,000 of the plant's annual operating costs, with the balance being paid by the MWRA's ratepayers. *That annual cost is now estimated to be 2.8 million a year for the ratepayers - and the state has yet to contribute any money toward capital or current expense costs.*

Future Areas Which Could Substantially Increase Rates

Increasing Capital Costs

*Total capital spending as estimated in the budget for these years in current day dollars.



Combined Sewer Overflows (CSOs)

There are 86 combined sewers which collect both sewage and stormwater runoff for wastewater treatment. Many of these sewers become overloaded and during rainstorms discharge at 86 overflow points directly into Boston Harbor and other nearby rivers. A \$1.22 billion Facilities Plan has been recommended by the MWRA to address the CSO problem; however, a number of unaddressed issues exist which could further increase costs. The first concerns the scheduling of the CSO Plan relative to other major construction projects such as the complex Deer Island project. Still more questions surround what the new state water quality standards will be and when they will be promulgated. If new standards are introduced, they may affect the level of CSO capture that is required. If, for example, the number of allowable overflows is five, instead of the four presented in the Plan, **an estimated \$66 million could be saved for the ratepayers.** There are also unanswered questions about the nature and causes of harbor pollution, and who will be responsible for controlling other non-MWRA sources of pollution—notably storm-water runoffs—that end up in the harbor and will continue to pollute even if every overflow is captured. Finally, the Plan appears to underestimate the disposal costs for tunnel excavate.

Safe Drinking Water Act: Watershed Management and Filtration

Watershed management must include a balance between the long term quality of the water supply and the economic concerns of ratepayers. New federal regulations mandate that all drinking water goes through a filtration system, unless it can be proven the water meets stringent standards

of purity and the watershed is adequately protected. ***If the water supply system requires filtration it will cost between \$375 million and \$1 billion to build a plant. In addition, the annual operating cost of a water filtration plant would be in the range of \$13 million to \$17 million.***

The MWRA must continue to work toward compliance with the Safe Drinking Water Act. Although the Authority has been developing watershed management plans in the expectation that strict watershed protection measures might serve as an alternative to costly filtration plants, more recent and more exact tests now show that the Authority cannot meet Safe Drinking Water Act and the DEP's standards without some form of filtration. The Advisory Board believes that watershed protection measures have the advantage of being less costly than filtration plants and have the additional benefits of open space preservation and recreation. However, if filtration is unavoidable, then a modified watershed protection effort together with the required filtration facilities may be sufficient to meet Safe Drinking Water Act requirements. Furthermore, it is imperative, due to limited dollars, that the scheduling of a plan which incorporates both filtration and watershed protection balances environmental goals with today's fiscal realities.

The ability of the MDC to adequately maintain the watersheds must also be reviewed. Current budgetary constraints have curtailed the MDC's ability to protect the watersheds, despite the fact that the MWRA's contribution has risen from 50 percent to 75 percent. ***The Advisory Board should be statutorily empowered to examine and make recommendations on the MDC's watershed budget in the same manner that the MWRA budget is reviewed by the Advisory Board.***

Areas Which Must Be Addressed To Reduce Costs

Scheduling

The Advisory Board strongly believes that phasing the projects over a longer time frame will allow the MWRA to revisit the scheduling of all court-ordered projects, with an eye toward developing a cohesive implementation plan that balances environmental goals with fiscal realities. All of the MWRA's projects are scheduled to be completed, or well into construction, before the year 2000. To extend the horizon for the construction of certain projects, and to prioritize the projects according to those which would have the most immediate impact on the environment, would result in a more equitable balance.

Join With Other States to Obtain Funding and Influence Federal Regulations

The Governor should join with other states, struggling with similar issues, to obtain adequate funding for the implementation of the Safe Drinking Water and Clean Water Acts. Furthermore, continued pressure should be brought to bear on the Commonwealth's congressional delegation to ensure that the Boston Harbor cleanup is a priority in the 102nd Congress. *It is imperative that, at a minimum, \$200 million a year be received from federal sources.* In addition, federal regulations, including sludge disposal and another which requires that the MWRA's minor residuals landfill site possesses enough capacity to receive up to six months of dewatered sludge, are onerous requirements and should be reviewed immediately.

Deductions From State and Federal Taxes

An alternative to direct state and federal subsidies would be to create a tax deduction for water and sewer users. This would allow some ratepayers to deduct their water and sewer bills from their annual tax returns.

Regulation

Regulations are often promulgated and frequently amended. Those responsible for the regulation must concern themselves with the financial ramifications of their alterations. Many of the Commonwealth's regulations, rather than helping to relieve the enormous costs facing ratepayers, move in the opposite direction and add to the burden. The Advisory Board believes that the Governor and General Court should review the following regulations:

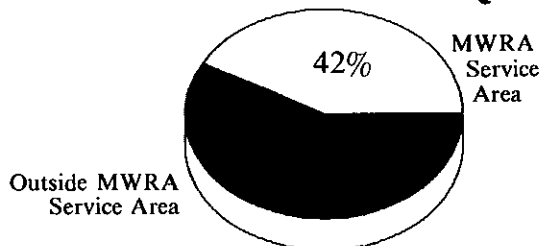
Department of Environmental Protection Fees

The DEP will soon issue a new set of regulations (310 CMR 4.00, Timely Action and Fee Provisions), which will set forth a system of fees and charges for a variety of DEP permit, compliance monitoring and enforcement activities. The new DEP fees will have a substantial budget impact on the MWRA's capital projects as the DEP's fee package is estimated to cost approximately \$1 million a year. The MWRA should receive a waiver from any permitting fees until such time that the Commonwealth fulfills its share of the construction grants program or reduces the outstanding balance that it currently owes to ratepayers.

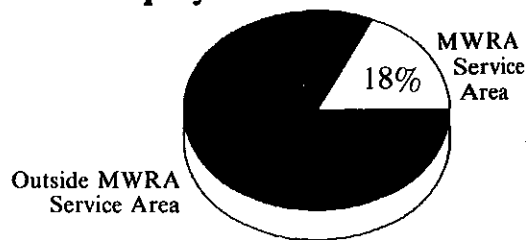
Land Application of Treated Sludge

Massachusetts regulations are among the strictest in the country, and are more severe than those being imposed by the federal government in its revisions of national regulations. Yet sludge products from other states, such as Milwaukee's Milorganite, which far exceed the Commonwealth's regulated levels of metals and other substances, are being marketed here. Under existing Massachusetts' regulation the MWRA will be unable to sell its product within this state;

A Question of Equity



Population



Grant Distribution

however, the MWRA is allowed to sell its pellets to a fertilizer plant in another state, where the product can then be imported and sold within the Commonwealth. The DEP should allow the MWRA to market its own sludge pellets in Massachusetts, which even at present toxic content would contain far lower levels of toxics than products such as Milorganite. To the extent that the DEP consistently espouses the necessity for "beneficial reuse" of certain products, the Department's regulation of treated sludge is in direct contradiction to this policy. Furthermore, by promulgating regulations that maximize beneficial reuse of sludge pellets the DEP may ultimately lessen the MWRA's need for a landfill.

*Section 44F of Chapter 149 of
Massachusetts General Laws
(Filed Sub-Bid Law)*

This law requires that those parts of a public building project which cost more than \$10,000 be individually bid. The Boston Harbor Project is a 10-year construction effort and is the largest wastewater treatment plant construction project in the country. It is estimated that the application of the File Sub-Bid Law to this project would result in 500 to 700 filed sub-bid contracts. *If the MWRA were exempt from this law for the Boston Harbor/Deer Island Wastewater Treatment Project, an estimated \$250 million could be saved.*

Legislation to Reduce Costs and Achieve a Better Environment

MWRA Advisory Board Legislation

An Act to Reduce Costs to MWRA Ratepayers

Sponsor: Representative Stephen Doran

The legislation enables the MWRA to fulfill the obligations of the Commonwealth to provide free water and sewer services to the Town of Clinton without penalizing MWRA ratepayers. The legislation increases the appropriation of capital funds from \$4 million to \$7.75 million for design and construction of the new wastewater treatment plant in Clinton. The bill also confirms that all capital costs of the Clinton project are eligible to be reimbursed by the DEP. The current \$500,000 limit on the Commonwealth's liability for Clinton's share of the operation and maintenance costs of the Clinton plant would be removed. Finally, the legislation streamlines the bookkeeping between the MWRA and the Commonwealth by permitting the MWRA to deduct the amount of sewer use charges billed to Clinton from the MWRA's annual payment to the Watershed Division of the MDC.

An Act Relative to the Composition of the MWRA Board of Directors

Sponsor: Senator Michael Lo Presti

The legislation seeks to strengthen the MWRA Board of Directors by permitting the Town of Winthrop and City of Quincy to directly **appoint** their members to the Board of Directors as opposed to gubernatorial appointment. In addition, the legislation would permit the MWRA Board of Directors to directly **elect** a Chairman and Vice-Chairman as opposed to the statutorily appointed Chairman of the Board, the Secretary of the Executive Office of Environmental Affairs.

Additional Legislation

An Act to Reduce Water and Sewer Fees

Sponsor: Representative David Cohen (by request)

The legislation seeks to permit cities and towns to include in their total taxes assessed, the debt service for capital improvements to the water and sewer system which have a municipal or a regional governmental purpose; provided that prior to making such tax assessments, which would exceed the levy limitation imposed by proposition 2½, the city or town has received approval to do so by a majority of voters present at either a general or special town meeting. Such approval shall remain in effect from year to year, until repealed in the same manner as previously approved.

An Act to Protect the Metropolitan Water Supply

Sponsor: Representative David Cohen

This legislation creates 200-400 foot "development-free" buffer zones around the watersheds.

An Act to Amend the Internal Revenue Code of 1986

Sponsor: Congressman Brian Donnelly

The legislation would allow homeowners some water and sewer rate relief by allowing a deduction from federal income taxes for water and sewer service.

Environmental Realism

The Advisory Board supports the goals of a cleaner harbor, safe drinking water, and sound infrastructure and recognizes that cooperation between all parties involved is essential to make these goals achievable and affordable. The commitments of the State and Federal governments to these goals should end only when the needs end. The Commonwealth, and the entire New England Region, have a common interest in the Boston Harbor. The Harbor is one of the areas greatest natural resources and has always served the people and the economy well, and its restoration is crucial for the region.

The Commonwealth also has a vital interest in these goals, and the Governor and General Court must become more actively involved in addressing the need for outside funding to help pay for the MWRA's projects. The price tag for these projects, and the numerous needed improvements to local water and sewer networks, will be so great that the ratepayers may be unable to bear the full burden in such a short span of time. A "ratepayer revolt" is not out of the question in light of the fact that by the year 2000, the combined bill for water and sewer service is estimated to be \$1,450 for a typical 4-person household. Taking into consideration the financial desertion of the state and federal governments, the MWRA will have to raise rates 300% before the end of this decade. The Commonwealth must commit funds and actively seek federal dollars to directly offset the inordinate burden which has been shifted to ratepayers. Such funds are more than justified, not only by the statewide benefits the MWRA's efforts will realize, but also by the unbalanced past distribution of state funds.

The State also has a role in the regulatory arena; however, many of the Commonwealth's regulations, rather than helping to relieve the enormous cost facing MWRA ratepayers, move in the opposite direction and add to the burden. Furthermore, the State has consistently added to the costs of the project by reneging on its fiscal commitments, as illustrated by the construction of the Clinton Wastewater Treatment Plant, for which the State has yet to pay its fair share.

The MWRA Advisory Board stands ready to take on the challenges of this new decade. The Advisory Board, since its establishment five years ago, has been a vigilant advocate for the ratepayers and has been successful in substantially reducing costs. The Advisory Board looks to the Legislature in hopes of working together to effect positive change. This report is the first step, and serves as an introduction to many of the issues impacting the MWRA and your constituents. The Advisory Board invites you to stand with us to protect the environment, and the ratepayer, by distributing the financial burden fairly.

Advisory Board Agenda '91

- Review CIP/CEB budgets
- Review MWRA policies and monitor programs to ensure fiscal efficiency
- Address MWRA's mitigation policy
- Chapter 21E sites
- Assess costs associated with Mass. Historical Society

Please contact the Advisory Board with questions, comments, and requests for additional information.

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