



ADVISORY BOARD UPDATE

FEBRUARY 1996

1995 HIGHLIGHTS

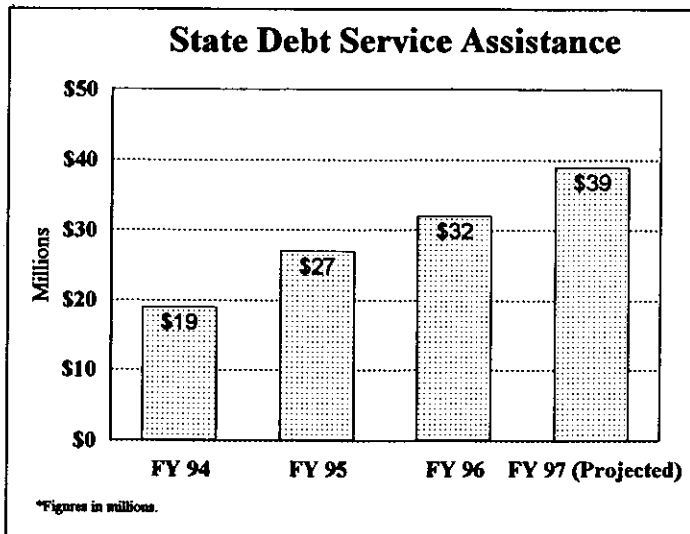
Managing Rates

"...the Advisory Board has provided a constant flow of common sense cost-saving ideas to the Authority." Attorney General Scott Harshbarger.

This fiscal year marks the second year of the Advisory Board's Three-Year Blueprint which recommended a 0% rate increase for FY95 and rate increases of no higher than 5% for FY96 and FY97. In accordance with the Three-Year Blueprint, the MWRA submitted a budget for FY96 which called for a 5% increase in rates. The Advisory Board was able to find several areas where spending could be reduced, resulting in an overall rate increase for FY96 of 1.3%, well below the 5% proposed and even less than the 12% projected just a year earlier. The MWRA accepted \$11.4 million in recommended reductions to the proposed FY96 Current Expense Budget (CEB) and nearly \$50 million in cuts to the FY96-98 Capital Improvement Plan (CIP).

State Debt Service Assistance

The FY96 state budget contained \$32 million for debt service assistance to the MWRA, a \$5 million increase over last year's state assistance. This level of funding was achieved through the cooperative efforts of the Advisory Board, the MWRA, the Governor and the MWRA Legislative Caucus.



Clinton Wastewater Treatment Plant

The Advisory Board has been working for years to free ratepayers from the burden of paying for the operation and maintenance of the Clinton Wastewater Treatment Plant. Ratepayers took a giant step toward resolving the issue this past April when the Massachusetts Superior Court issued a judgment against Clinton relative to the treatment plant. The Court ruled that the Town of Clinton is responsible for paying \$500,000 per year in operating costs to the MWRA, retroactive for the past eight years. Due to the pressure from this court decision, Senator Robert Bernstein and Central Massachusetts legislators were able to secure \$500,000 in the FY96 state budget to reimburse the MWRA for operating the plant. In addition, \$4 million was included in the Open Space Bond Bill in order to allow the town to satisfy the court judgment. This funding is due in large part to the efforts of Representative Robert DeLeo, Chairman of the MWRA Caucus, through his involvement in negotiations with the Central Massachusetts legislators. The Advisory Board is working to ensure that this funding remains in the bill, which is currently before the Governor for final approval.

Court Decision on Elimination of Battery D

Judge Mazzone "praised the MWRA Advisory Board ... for pressing the authority to find ways to trim the project's cost without increasing pollution." The Boston Globe, 10/19/95.

Judge A. David Mazzone's decision to approve the MWRA's request to eliminate Battery D from the Deer Island Treatment Plant marked a great victory for MWRA ratepayers. Following the recommendations of the Advisory Board, the MWRA reassessed the scale of the treatment plant and filed a motion with the Court to reduce the secondary treatment facilities from four batteries to three and residuals processing facilities from four modules to three. While the \$165 million in savings were reflected in the MWRA's FY 1996-98 CIP, the Judge's ruling gave the Authority final approval to remove Battery D from the court-ordered schedule. DEP and EPA approval of the right-sizing were critical factors in the Judge's decision. The MWRA Legislative Caucus and the Massachusetts Congressional Delegation were instrumental in impressing upon both agencies the importance of this matter to ratepayers. Elimination of Battery D is another example of the Advisory Board's efforts to ensure that the Authority only spends what is necessary to accomplish its goals of environmentally sound wastewater treatment and water delivery.

Sewers in Central Massachusetts

"All I hear from the MWRA people is their fear of their advisory board and ratepayers." Holden Selectman Fred Misilo (The Holden Landmark, 8/3/95).

In representing the MWRA ratepayers, the Advisory Board and the MWRA were able to work out a fair solution to the problem of failing septic systems in communities near the Wachusett Reservoir. Although all those involved in the issue agreed that failing septic systems in West Boylston and Holden posed a threat to public health in the communities and to water quality in the Wachusett Reservoir, the question of who would pay for the construction of sewers in the area was a major point of contention between the communities and the MWRA. The MDC developed a \$57 million wastewater facilities plan for 3,000+ on-site septic systems. For years, the communities stood firm in their position that the MWRA should pay for the entire project.

After months of meetings and negotiations between the Central Massachusetts communities, the MWRA, the Advisory Board and the Commonwealth, an agreement was worked out which included an MWRA contribution of \$12.5 million (less the \$4 million reimbursement for the Clinton treatment plant), a community contribution of \$22 million and a Commonwealth contribution of \$23 million. The MWRA and the Advisory Board agreed to pay only those costs related to extra safety measures needed due to proximity to the reservoir and costs included in the plan that would not have been necessary if the reservoir was not present and the communities could discharge into the Nashua River. The financing plan for sewers in Holden and West Boylston was included in the Open Space Bond Bill, which is currently before the Governor for final approval. The MWRA Advisory Board is working to ensure that the Governor signs the bill into law with the financing plan intact.

Construction Impact Review Board

The Construction Impact Review Board was established to protect MWRA ratepayers from the expense of mitigation requests that go beyond normally agreed upon standards while ensuring that communities are treated fairly. The first request for the involvement of the Board came from the Town of Natick with regard to MWRA construction of a gravity sewer along Leach Lane. The Town and the MWRA were unable to reach agreement on the issue of constructing new sewers on side streets abutting Leach Lane. Natick had proposed that the MWRA contribute \$90,000 (or half of the proposed construction cost) for local sewers in the side streets. Under the original proposal, all traffic would be limited to Leach Lane and prohibited from the abutting streets.

After a site visit, the Board recommended that the MWRA and the Town revisit traffic and staging requirements to determine the cost effectiveness of rerouting traffic to side streets to avoid costly tree replacements along Leach Lane and the time delays inherent with the proposed staging and traffic restrictions. The

Board then voted to approve the terms of the agreement to pay 50% of the sewer costs in exchange for the use of the side streets, which will result in overall project savings and improved flexibility for construction on Leach Lane. The overall improvements made the request for MWRA financial assistance toward local sewer construction more reasonable and mutually beneficial.

Cost/Benefit Analysis for Covered Storage

The Advisory Board conducted a cost/benefit analysis of covered storage at Fells Reservoir, Norumbega Reservoir, and Weston Reservoir as directed by the Massachusetts Legislature in Chapter 38 of the Acts of 1995. The legislation was brought forth by legislators representing Weston and Stoneham in response to citizen group concerns. In carrying out the analysis, staff sought to determine whether covered storage was necessary in order to meet state and federal regulatory requirements and to address existing system-wide water quality and potential health risks. The analysis also examines each proposed project in detail in order to determine the most cost-effective method of providing covered facilities. The Advisory Board found that all three proposed projects are necessary to comply with existing state and federal regulations and to ensure safe drinking water for all service area communities. In addition, the Advisory Board concluded that for each project the MWRA's preferred alternative results in the least monetary and environmental costs and minimizes disruption to the overall functions of the distribution system.

Sewer Rate Methodology

In 1993, the State Legislature directed the Advisory Board to develop a fair and equitable sewer rate methodology. The Advisory Board brought all sides of this volatile issue together and successfully developed a new sewer rate methodology which allocates operating costs based on total metered flow and capital costs based on a combination of maximum monthly flow, contributing population and census population. The new flow-based method of assessing sewer rates was implemented on July 1, 1995 for FY96, with impact moderation to mitigate first year impacts on communities by setting a floor and a ceiling for rate changes. The new methodology will be fully implemented for FY97, beginning on July 1, 1996.



STRATEGY FOR 1996

Controlling Rates

FY97 will mark the third year of the Advisory Board's Three-Year Blueprint, which recommends that rate increases be held to no more than 5% for the coming fiscal year. The Advisory Board is committed to controlling rates through budget review and continued involvement in MWRA planning. The Advisory Board is currently reviewing the MWRA's capital spending plans, especially for their impact on debt service which makes up half of annual rates.

State Debt Service Assistance

"In working with the Advisory Board, the MWRA Caucus has been successful in securing \$78 million in debt service assistance over the past three years. We are hopeful that we will once again reach our goal for state debt service assistance for this coming fiscal year." Rep. Robert A. DeLeo, Chairman, MWRA Legislative Caucus.

The Advisory Board, along with the MWRA and the MWRA Legislative Caucus, is pursuing approximately \$40 million in state debt service assistance for FY97. This level of funding will allow the Authority to limit rate increases to the single digits. The Governor's proposed FY97 budget includes \$39.1 million in debt service assistance for the MWRA. The Advisory Board will work throughout the budget process to ensure that this level of funding is maintained.

MDC Watershed Division

In addition to pursuing last year's legislation to transfer the MDC Division of Watershed Management to the MWRA, the Advisory Board will propose legislation to extend its oversight role to include the Watershed Division. MWRA ratepayers currently pay 100% of the Watershed Division budget, yet they have no input concerning the management and operation of the Division. The legislation, currently in draft form, would grant the Advisory Board authority to review and comment on MDC Watershed Division budgets and watershed protection plans. The Advisory Board will work along with the MWRA Caucus for the passage of this legislation.

Clinton Wastewater Treatment Plant

The Advisory Board continues to seek a permanent solution to the issue of costs related to the operation of the Clinton Wastewater Treatment Plant. Even with a \$500,000 appropriation in the FY96 budget and the Governor's proposal for a \$500,000 appropriation in the FY97 budget, ratepayers will continue to pay a major portion of the operating costs. The Advisory Board holds firm to its belief that this expense should not be borne by MWRA ratepayers. To this end, the Advisory Board will continue to work with the legislature and the Town of Clinton to resolve this issue.

MetroWest Tunnel

The Advisory Board is working to obtain alternate funding for the MetroWest Water Supply Tunnel, which will provide redundancy to the fifty-five year old Hultman Aqueduct. The tunnel project is estimated in the proposed FY97-99 CIP to cost a total of \$530 million and will be a source of water rate increases over the next several years. In order to limit the expected increases, the Advisory Board will aggressively advocate for the extension of state debt service assistance to included the MetroWest Tunnel project.

Minimizing Cost of Water Treatment Facilities

The MWRA is in the process of choosing which filtration and non-filtration treatment options for the Wachusett Water Treatment Plant will proceed to design. Under the 1993 consent agreement with DEP for SDWA compliance at Wachusett Reservoir, the MWRA and MDC were given permission to pursue a "dual track" for compliance. This gives the MWRA until July 1998 to demonstrate whether or not filtration is needed. The agreement, however, requires the Authority to design a filtration plant prior to the 1998 deadline. The Authority is therefore proceeding with the design of both filtration and non-filtration facilities. In addition, the MWRA anticipates the need to renegotiate deadlines in the consent agreement in order to coordinate the treatment plant project with the MetroWest tunnel project as well as to adjust original time estimates. The Advisory Board will work to ensure that project schedules are realistic and that the MWRA chooses the appropriate filtration and non-filtration options.

Clean Water and Safe Drinking Water Acts

Reauthorization of the Clean Water and Safe Drinking Water Acts, with adequate revolving loan funding and special grants, is a critical factor for future rate relief. The Advisory Board will continue to work with the Massachusetts Congressional delegation for the reauthorization of both acts.

Local Water Infrastructure Assistance Program

The Advisory Board is working with the MWRA to develop a water system rehabilitation assistance program for MWRA communities. The Local Water Infrastructure Rehabilitation Assistance Program has been included in the Authority's Proposed FY97-99 CIP for a total of \$250 million. The program concept was initiated by Advisory Board members and will be designed to encourage communities to realize as much benefit as possible from the MWRA's planned waterworks capital program by providing a financial mechanism to support local water infrastructure maintenance and rehabilitation. Although the FY97-99 CIP includes a \$250 million loan program (spanning ten years), the MWRA and the

communities will continue working to develop a program which will best meet community needs.

0% SRF

The Advisory Board has long advocated for 0% interest loans from the Water Pollution Abatement Trust (SRF) and was able to convince the Weld Administration to include language establishing the loans in the Senate version of the Open Space Bond Bill. The language, however, was not included in the final bill passed by the legislature. Establishing the 0% SRF is a top priority for 1996. The Advisory Board will continue to advocate for the 0% SRF language to be attached to any appropriate legislation, including the FY97 state budget.

Elm Bank Lawsuit

"The MWRA Advisory Board is correct in putting its foot down on charging ratepayers to protect a historic bridge and tree in the town of Dover. ...This is a small but worthwhile fight to save beleaguered ratepayers," The Patriot Ledger (Editorial), 1/30/96.

The Advisory Board and its member communities are in the process of filing suit against the Executive Office of Environmental Affairs (EOEA) and the MDC in objection to two of the fifty-five permit conditions placed on the MWRA for access to the Elm Bank Reservation in Wellesley and Dover. Access to the property is necessary for the construction of the Framingham Relief Sewer, a project that will alleviate raw sewage discharges to Beaver Dam Brook and the Charles River. The Advisory Board objects to the conditions contained in the permit which require restoration of the Cheney Bridge at a cost of between \$400,000 and \$650,000, and the guaranteed preservation of a single oak tree that lies in the path of the sewer line at an estimated cost of \$180,000. Although efforts have been made to resolve the disagreement with the MDC and EOEA, there has been no movement on the issue. The Advisory Board and MWRA sewer communities are now planning to challenge the extreme conditions in court and hope to prevent ratepayers from being burdened with these unfair costs. In addition to pursuing this issue in court, the Advisory Board will work to secure state funding to restore the Cheney Bridge. The following communities have already officially joined the lawsuit:

Bedford • Belmont • Chelsea • Everett • Medford • Melrose
Milton • Newton • Norwood • Revere • Somerville
Stoneham • Stoughton • Wakefield • Waltham • Wellesley
Wilmington • Winchester • Woburn

Legislative Agenda

Due to rules changes in the State Legislature, bills which were not acted upon in 1995 will be "carried over" to the 1996 Legislative Session. The Advisory Board will continue to pursue current bills, while expanding the legislative agenda to reflect measures mentioned above.

1995/1996 Legislation

H.2222 *Supporting the Infiltration/Inflow Program.* (Rep. DeLeo) Attached to H.2224 and reported favorably from Natural Resources Committee. Referred to House Ways and Means Committee.

H.2224 *Relative to the Commonwealth Sewer Rate Relief Fund.* (Rep. DeLeo) Reported favorably from Natural Resources Committee. Referred to House Ways and Means Committee. Partially implemented in the FY96 state budget.

H.2225 *Improving Supply and Delivery of Water to MWRA Ratepayers (Watershed Division).* (Rep. Mariano) Placed in a study by the Natural Resources Committee.

S.597 *Relating to Assistance for Water and Sewer Rates for Low and Moderate Income Households.* (Sen. Tolman & Rep. DeLeo) Reported favorably from Committee on Housing & Urban Development. Referred to Committee on Joint Rules.

S.872 *Limiting Liability of MWRA.* (Sen. Jacques) Reported favorably from Judiciary Committee. Engrossed by the Senate. Ordered to third reading in the House.

S.1189 *Relating to Clinton-Lancaster Wastewater District.* (Sen. White) Reported to a study by the Natural Resources Committee.

S.1191 *Relating to the MetroWest Water Supply Tunnel.* (Sen. White) Reported favorably from Committee on Natural Resources. Referred to Senate Ways and Means.

Expansion of Revenue Sources/Review of Policies

As part of the Advisory Board's effort to explore new possibilities for expense reductions and revenue sources, the Advisory Board will work with the Authority in assessing a number of options including: the potential and appropriateness of service area expansion, reconfiguration of the coverage requirement, utilization of the work force, and analysis of energy use and possibilities for energy generation. The Advisory Board will also be reviewing alternative and supplemental sources of revenue, and will continue to assess program priorities, performance objectives, and service results, as part of its goal to ensure that every dollar spent is justified.

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