

EXECUTIVE COMMITTEE MEETING  
FEBRUARY 19, 1999

MINUTES APPROVED AT THE APRIL 16, 1999 MEETING

Present: Guy Carbone, BELMONT; John Sullivan, BOSTON; Michael Nicoloro, CAMBRIDGE; Ed Sullivan, CANTON; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Bernie Cooper, NORWOOD; Joseph Foti, SOMERVILLE; Phil Farrington, STOUGHTON; Walter Woods, WELLESLEY.

Also in attendance: John Carroll and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Ryan Ferrara, Cornelia Potter, Ann Chamberlin-LaBelle and Mary Ann McClellan, MWRA ADVISORY BOARD.

**I. APPROVAL OF THE MINUTES**

The meeting, held at the Advisory Board office, was called to order by Chairman Joe Foti at 8:41 a.m. **A MOTION WAS MADE TO APPROVE THE MINUTES OF THE NOVEMBER 13, 1998 MEETING OF THE EXECUTIVE COMMITTEE.** It was seconded and passed by unanimous vote.

**II. ACTION ITEM:**

Approval to connect a single family home at 249 Central Street,  
into the MWRA Sewer System

Hingham

Owen and Paige Kane of 249 Central Street, Hingham have a failing septic system. Mrs. Kane reported to the Operations Committee that the site borders a wetland and it would be impossible to install an approvable system on the small lot. The site is approximately 450 feet from the existing Hingham Sewerage District. The Operations Committee, subject to conditions, recommended approval.

Walter Woods said communities in the south section have been inundated with sewage. "Why are we allowing additions to the sewer system when they are having such a problem?" Joe Favaloro replied that one of the conditions of approval is that for every gallon the Kane's put in the system, they have to remove four.

Mr. Woods asked, "Who oversees that?" Mr. Favaloro replied, "In this case, it would be the responsibility of the Hingham Sewer District." He stated we are being inundated with requests. Perhaps there should be a recommendation by the Executive Committee/full Advisory Board stating communities allowed into the system must provide yearly reports that demonstrate progress has been made to reduce I/I. Mr. Woods agreed.

John Sullivan said towns are required to give a report to both DEP and MWRA. It should be included on that annual report, as the first item, so the MWRA could modify and monitor their requirements. We could do it there so there's not a separate report.

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Ed Sullivan said this appears to be a case where there is no relief in putting in a new system. It seems that the logical and practical thing to do is to allow the Kane's to tie in.

Katherine Haynes Dunphy said Hingham Sewer Commission has a condition that states sewers must be constructed with every consideration given to future use by others and to abutters or nearby hookups.

Mr. Favaloro noted since receiving the Kane's application, the Town of Hingham has made inquiries and submitted an official request that 270 additional homes be considered for application into the system. That is going to be a longer, more detailed discussion.

Ms. Dunphy expressed concern that there are other houses in the neighborhood that may ask to join. Shouldn't we look ahead and see if that force main design is capable of picking up additional homes? Would there be some guarantee that the I/I is removed before they start using the new system?

**A MOTION WAS MADE TO APPROVE THE APPLICATION TO CONNECT A SINGLE FAMILY HOME AT 249 CENTRAL STREET, HINGHAM INTO THE MWRA SEWER SYSTEM.** It was seconded and passed by unanimous vote.

Walter Woods **MADE A MOTION RELATIVE TO ESTABLISHING A METHOD OF MONITORING WHETHER THE I/I REMOVAL HAS BEEN FULFILLED.** It was seconded and passed by unanimous vote.

**III. DISCUSSION:** Status - Water Treatment Decision

Mr. Favaloro reported the MWRA is no longer in compliance with the avoidance criteria at Wachusett Reservoir, specifically the fecal coliform criteria that allows no more than 13 exceedances in a six month period. They have been in violation 14 times from the end of December through the end of January. Since the 14th exceedance, the count has gone down to low single digits.

Even though DEP had indicated that violation of any of the criteria would void the waiver, the Authority has engaged the DEP in dialogue on why there isn't a concern.

On March 4, there is the very real possibility that the MWRA will have to introduce another \$200 million to the capital budget. The Advisory Board's ability to influence decisions and to make comments that need to be officially responded to come in February for the CIP and April for the CEB. We must comment now.

Ed Sullivan asked, "What happens if they go filtration, does this void the Administration and Finance offer for funding for pipelines?" Mr. Favaloro indicated that the offer would likely be rescinded.

John Carroll stated, "If we stay at 14 exceedances, I don't think a judge will say you have to put filtration in. The Board of Directors is adopting a wait and see attitude."

Mr. Stanzin said, "If it increases the average of sewer and water services by \$22 a year, and we put in a filtration plant that makes water even safer, is it still worth talking? Suppose a month from now we are in violation again, what would your feeling be then?"

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Mr. Carroll said, "If I saw that it was obvious that it was going to continue, I'd say lets face facts, we need to change our course, we are going to lose."

Joe Foti said, "At the Operations Committee meeting last week, I asked Steve Estes Smargiassi what number the Authority was looking at before they decide not to pursue the waiver. He was talking upward of around 25 violations."

Andrew Pappastergion stated, "Regarding the pipeline program, I asked Lowell Richards, What happens if we build a filtration plant, will it go away? He said yes."

Mr. Favaloro stated there are other outstanding issues that are not a component of the CIP, and potentially will need to be. What is the Executive Committee/Advisory Board's message in the capital budget? Do we stand by with the potential for another \$300 to \$400 million of costs, and miss our opportunity to say something or the ability to alter schedules for some of these projects. Those 7.3% rates may increase to 11.5%.

Mr. Carroll said write a cautionary section of the CIP that says we are now in exceedance number 14, and MWRA should be aware that filtration is a possibility. Make it clear that the Advisory Board is cognizant of the fact that there might have to be a change in plan. The assumption of filtration can be made and hope you don't have to do it.

John Sullivan said if we go ahead with filtration, then we lose a state subsidy of pipeline rehabilitation. The best of all worlds is we get the pipeline rehab and build a filter plant in 2008, when our CIP costs have leveled off again. We should take a look at the spending to try to get the state on board to do the pipeline rehab. That's probably most important to the cities and towns, much more important than the federal requirement of filtration. We're eventually going to wind up with filtration. When is the issue.

**IV. ACTION ITEM:** Advisory Board comments and recommendations to the MWRA's FY99-01 CIP Contingency Budget Amendment

Ms. Potter said the next action item regards our comments on the Authority's contingency fund amendment request to raise the authorization level for all other capital projects. This request stems from expected increases for main programs: The CSO control program; the Business Systems Plan (to deal with Y2K issues and FMS Procurement); Walnut Hill Water Treatment Plant (\$3.3 million in addition to design services); MetroWest Tunnel; Residuals Management (additional tests). The Advisory Board made 17 recommendations for a reduction of nearly \$4.8 million.

John Sullivan objected to the Advisory Board's recommendation to add the cleaning project for the MWRA outfall to the Stony Brook system, which is BWSC's responsibility. The pipes belong to the MWRA and they are responsible to clean them.

Mr. Sullivan reported that the Boston Water and Sewer Commission (BWSC) has \$20 million in the Stony Brook, for which we haven't asked assistance from the Authority. If logic says that the cleaning of this 700 foot pipe is part of the Stony Brook, then so is the next four miles, which is about \$15 million. If the logic does prevail, then certainly BWSC would welcome relief of the \$16 million.

Cornelia Potter stated that the Authority inserted this into this year's proposed spending plan without it having been in the capital budget.

John Sullivan stated there is about \$35 million of damage done because the Stony Brook can't get the water to the Charles River. The MWRA pipes, one completely full, the other half full, are the reason. That blockage sent water into Northeastern, Wentworth and the Museum of Fine Arts. The Authority is potentially looking at a suit. If this happens again and they don't clean their pipe, they've got a big problem. That's why they inserted it.

Mr. Favaloro said, "If they haven't talked about it, then in essence nothing is going to occur between now and the end of June anyway."

John Sullivan said, "No, except that when our pipe is cleaned, if their blockage continues to fill up our pipes with debris because of their deficiencies, they will then be responsible for cleaning our pipe. They have to move on this project."

Ms. Potter commented, "I thought that the outfall was part of the Boston system." Mr. Sullivan responded, "The MWRA NPDES permit identifies it as MWRA 023. EPA agreed with our analysis that it is an MWRA outfall. It is their pipe, they built it, they own it."

John Sullivan stated, "This is a different type of cleaning. You have to set up barges in the Charles River. It requires divers, and underwater equipment. All items that MWRA has the expertise in, but for some reason they do not want to do it."

Ms. Potter said, "The immediate question is will this be awarded before June? Then, more important, is it the Authority's responsibility?" John Sullivan said MWRA admits that the pipe belongs to them. BWSC is advertising \$6 million of cleaning to begin construction next year. We have notified MWRA that they have to be ready to clean theirs at the same time. If they don't, we won't allow them to open Archdale because that is a liability issue.

Ms. Dunphy asked "It sounds like it is the MWRA's pipe, but who's dirt is it?" and Mr. Woods asked, "Did they build it for you or for their own purposes?"

Mr. Sullivan answered, "The Commonwealth built Storrow Drive and needed to extend the Stony Brook. Unfortunately, when they did that in 1923, they didn't turn the pipe over to Boston. So the Authority owns the gate house and the pipe. It is an extension of an existing Boston pipe, but in reality it belongs to the MWRA."

Mr. Favaloro said, "If it belongs to the MWRA, then that ends the discussion."

Guy Carbone stated that he did not want to transfer funds regarding Residuals Management until we have a full understanding of what the funds are for.

Ms. Potter said, "This will enable the Authority to entertain any additional design and construction changes. They do not have the budget authority to award any further change orders for design amendments. That is why it is a component of the amendment."

Mr. Carbone stated, "I think they have the money right now. I do not believe that they need any transfers to increase their contingency."

Mr. Favaloro stated, "Rick Mills was at the last full Advisory Board meeting and updated us on the impacts of the fire and the operation of the Residuals plants and costs."

Mr. Carbone asked, "What about the insurance money?" Mr. Favaloro replied, "I don't know about the insurance money, but he did indicate that there will be a claim as it relates to the contractors involved."

Ms. Potter stated, "Most of this money is for the designer, not construction costs. The Authority still needs to go ahead with increases already scheduled before the fire. MWRA staff should explain and satisfy Guy's concerns."

Ms. Dunphy made **A MOTION FOR AN AMENDMENT TO THE CAPITAL BUDGET TO ADD \$1.5 MILLION FOR MILTON.**

Mr. Favaloro said our recommendation of \$1.5 million for Milton's project to the Board was discussed. The Board motioned, with significant urging from MWRA staff, to return to the Advisory Board for capital comments. The Board was clear in asking to have it as part of the overall proposed FY00-02 Capital Budget of the MWRA. I requested a communication from the MWRA for the \$1.5 million for our review as part of the budget. We are waiting for their transmittal.

Ms. Dunphy withdrew her motion, and said she would settle for a motion to add Milton's request to the FY00-02 Capital Budget, and a comment next week that we expect to see it.

Mr. Carroll suggested, "This was approved by Operations, the Executive Committee and the Advisory Board, put it in." Mr. Favaloro said it was the Board's Action.

Mr. Carbone **MADE A MOTION TO VOTE TO AMEND INCREASES TO THE CONTINGENCY FUNDS TO DELAY THE DECISION ON ANY COMMENTS UNTIL THIS THURSDAY, PENDING THE REPORT OF MORE INFORMATION.** It was seconded and passed with John Sullivan opposed.

**V. ACTION ITEM:** Advisory Board comments and recommendations to the MWRA's Proposed FY00-02 Capital Improvement Plan

Ms. Potter noted that this year not only have costs risen, but there are a number of costs that are not in this capital budget. The filtration plant potential is the biggest component of the unrecognized costs in the CIP.

Over the next ten years the Authority is going to spend over \$2 billion, in addition to the \$5 billion they have already spent. In the next fiscal year the MWRA proposes to spend nearly \$540 million, which is 40% of the ten year total. Waterworks spending is closing in on almost half of all spending. Boston Harbor Project spending is declining to \$125 million, with Braintree-Weymouth and CSO spending filling the gap at \$120 million. Over the next three years, the Authority is going to spend \$1.3 billion or almost two-thirds of the ten year total in one-third of the time.

The largest projects over the next three and ten years are: MetroWest Tunnel, Walnut Hill Water Treatment Plant, North Dorchester Bay CSO Project and Braintree-Weymouth. They are big now and extend across the decade. The Authority now projects rate increases of 7.3% for each of the next seven years. Rate revenue of over \$5.5 billion will be raised in the next ten years. Offsetting some increases are projected efficiencies -- automation and other capital projects that will result in reduced chemical, electrical and pellet costs.

Probably the largest increase is for debt service, going up by one-third in only three years. By 2006, capital financing expense will be 80% higher than it is this year. Increases in debt service each year are going to be \$20 to \$35 million. In the past, the rate impacts from capital spending have been cushioned by three things: Significant federal grants for the Boston Harbor Project, SRF funding and debt service assistance from the Commonwealth, which primarily supports the wastewater program. With the shift in waterworks and return to the \$550 million CSO program, similar levels of support are not in place. The ratepayer share will rise from 52% a year ago, to 80% just four years later.

There are several pressures on the capital budget. This fiscal year, the Authority is projecting that they are going to spend greater than their budget net of contingency funds. The proposed ten year program of \$2.12 billion already includes one-third of a billion dollars of new spending that wasn't reflected in this ten year time frame a year ago.

There could be another one-third of a billion dollars added to the capital program; most notable is the \$180 to \$200 million associated with the Walnut Hill Filtration component. Other cost increases of tens of millions of dollars have been flagged for elements of the CSO program, and for potential settlement of claims for the Boston Harbor Project.

Cost increases for Braintree-Weymouth, South System Relief Project, the Chelsea Pump Sewer and Corrosion and Odor Control Project have also been identified in smaller proportions. Additional capital spending increases of this dimension could push rate increases into the double digit range.

The Authority has taken a series of steps to manage debt service, with the extension of debt service repayment period to forty years, restructuring of borrowing techniques, such as the use of variable/fixed rate borrowing. In the past we have been able to identify large dollars in the capital program that could be revisited in four or five years. Staff thinks that the MWRA needs to actively manage the capital program.

The largest new spending is for mandated projects. The top 12 unawarded projects, with the exception of the Local Water Pipeline Program, are all court ordered. Mr. Favaloro added the Local Water Pipeline Program is an offset of a court ordered project.

Ms. Potter said in addition to filtration, other unrecognized costs include additional costs that could be added for the North Dorchester Bay and Cambridge Sewer Separation projects that could total around another \$80 million. There is the potential of having to move the North Dorchester Bay project pump station in South Boston. The City of Cambridge has provided new information about the sewer system which has resulted in a dramatically different view of the area that needs to be separated, with cost increases that are nearly five times or more the original construction costs. The Authority estimated the sewer separation in Cambridge would be around \$12.5 million, now they are saying it could be \$60 to \$75 million. The initial discussion suggests that it is appropriate to step back and rethink the selected technology.

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Staff feels it is appropriate for the Board and the Authority to reassess capital spending alternatives. We haven't specified them, but think they ought to be setting spending caps over the next four or five years. By May, the Authority staff will be presenting the Board with revisions to the Capital Budget. We must look at alternatives before then. The Authority has to take the potential of having to build filtration seriously enough to be talking about schedule adjustments. More broadly, the Authority needs to rethink the solutions to several court ordered projects. Federal grants are needed for help with the CSO program, SRF funding needs to be augmented with the exception of the water side, and the Authority needs to work with the Commonwealth to increase debt service assistance on existing eligible projects, as well as considering expanding eligibility.

John Carroll suggested stating the amount the spending cap should be, instead of an arbitrary statement. He stated, "MWRA staff is certainly not going to recommend spending caps, it is up to the Advisory Board to tell us what the figure should be."

Ms. Potter stated staff is cautious about putting pressure on a particular project. If you push it down too far, then you have to go to a CSO project. "The last time we said keep spending under \$500 million in one year, the Authority came back with an increase of \$100 million. How do we address that?"

John Carroll said in the short term the spending cap is arbitrary. It's the out year spending cap that can reduce something, where the project can be delayed.

Andy Pappastergion asked, "Are there no court related projects in 2000, 2001 that we can look at?"

Ryan Ferrara said on the waterworks side, many projects have been moved during the last budget cycle, whatever projects they hadn't hit had to be pushed out to the 2001/2004 time frame. Certainly we have taken that caveat throughout our review process, regardless of whatever treatment decision is made.

Ms. Potter stated the discussion isn't necessarily to cut projects out, as much as about rescheduling. In addition, she stated that the Authority assumes a 40 year repayment period for borrowings over \$175 million.

Katherine Dunphy said I think you have identified some projects that need additional review, like the CSOs for North Dorchester Bay. John Sullivan stated North Dorchester Bay should be revisited.

Mr. Favaloro said, "There's \$200 million for filtration, \$60 or \$70 million for Cambridge, North Dorchester Bay may go to \$20 to \$40 million, and claims. Add them all up and you have \$300+ million which is yet to show up in this budget. These projects are scheduled for 2001 to 2004.

Bernie Cooper suggested looking at projected rate increases in outlying years in the Water and Sewer Divisions and try to work backward.

John Sullivan said if you don't do the legwork on that nobody else will. Ms. Potter stated to get to it, you have to target projects.

The overall total deductions that we have come up with are around \$76 million. It is about the same number as last year, which was \$77 million. It is evenly spread between Wastewater, Waterworks and Business and Operations Support. The Wastewater reductions come mainly around CSOs, North Dorchester Bay and Reserve Channel Projects which have 50% design drawings now

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available, and staff, on an informal basis, is indicating that costs and contingency reserve are coming down slightly.

Ryan Ferrara said contract awards for the Owner Controlled Insurance Program and the Sitework and Storage tanks (CP-3) phase, lead to reductions of approximately \$20 million. Other Waterworks themes include the delays of numerous pipeline projects and for the Authority to identify capital projects for the design/build and project delivery team approaches.

On the Business and Operations Support, the major recommendation has to do with constructing the North Maintenance Facility. The \$24 million that we can cut will now reappear in the Current Expense Budget as rent payment over the duration of the lease. That allows us to accumulate \$75 million worth of recommended reductions in the more detailed portion of the comments.

Mr. Favaloro said discussions have begun with the legislature to look at debt service assistance, specifically with the goal of raising the 20% cap to 30+% over a series of years. The Caucus meets on Monday. Doug MacDonald will be meeting with Ways and Means leadership with both the House and Senate, by the time the final budget of the Commonwealth is passed, we may have in place a new philosophy of debt service assistance.

**A MOTION WAS MADE TO APPROVE THE ADVISORY BOARD'S RECOMMENDATIONS TO THE MWRA'S PROPOSED FY00-02 CAPITAL IMPROVEMENT PLAN.** It was seconded and passed with John Sullivan opposed.

**VI. APPROVAL OF THE ADVISORY BOARD AGENDA FOR FEBRUARY 25, 1999**

**A MOTION WAS MADE TO APPROVE THE ADVISORY BOARD AGENDA FOR FEBRUARY 25, 1999.** It was seconded and passed by unanimous vote.

**VII. ADJOURNMENT**

**A MOTION WAS MADE TO ADJOURN THE MEETING AT 9:55 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary