

MWRA ADVISORY BOARD
Summary of the
MWRA BOARD OF DIRECTORS' MEETING

January 26, 2000

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on January 26, 2000 at the Authority Headquarters in Charlestown. **Present:** John Carroll, Norman Jacques and Andrew Pappastergion, Advisory Board Representatives; Vincent Mannering and Robert Spinney, City of Boston Representatives; Joseph MacRitchie, City of Quincy Representative; Lucile Hicks, Gubernatorial Representative. **Absent:** Chairman Robert Durand, Gubernatorial Representative; Andrea d'Amato, City of Boston Representative; Donald Mitchell, Gubernatorial Representative; Marie Turner, Town of Winthrop Representative.

AGENDA

Report of the Chair

No Report.

Report of the Executive Director

Douglas B. MacDonald, Executive Director of the MWRA, reported that staff is making progress with the preparation of the Five Year Progress Report, which is due to the state legislature. Panel members have agreed on recommendations and have approved the report. The Panel plans to attend the March 8th Board of Directors' meeting to speak with Board members.

Additionally, Mr. MacDonald reported that the water level at Dudley Pond has dropped by three to four feet, with a 99% probability that it is due to the MetroWest water supply tunneling effort. Upon completion of lining the tunnel, water will be added back to the pond to correct the problem.

APPROVALS

Capital Projects to be Advertised

[At the CIP Hearing in May, the Board directed staff to present for its review the merits of each capital project at least six months prior to the scheduled date to advertise for construction. At the December 15, 1999 meeting, the Board approved proceeding with two contracts scheduled for advertisement this month (Walnut Hill's Wachusett and Cosgrove Intakes and Deer Island Ancillary Modifications). The Board requested that the remaining projects be reviewed by the Advisory Board before further consideration by the Board of Directors.]

The Board voted to authorize proceeding with the capital projects included in the staff summary according to the plans consistent with the proposed FY01-03 CIP.

Staff presented 14 contracts that will be advertised between February and June 2000 for Board review. These contracts are part of 12 capital projects: Spot Pond Supply Mains – Rehabilitation (\$6.2 million); Quincy Pump Facilities, Construction 1 (\$3.6 million) and Construction 2 (\$5.6 million); Southern Spine Distribution Mains (\$4.2

million); Walnut Hill Water Treatment Plant, Public Health Research (\$2.8 million) and WHCP4 Treatment Facility (\$109.2 million); Deer Island Plant Optimization (\$1.4 million); Wastewater Facilities Asset Management Program (\$0.3 million); Corrosion & Odor Control (\$0.3 million); Deer Island Maintenance Warehouse (\$0.3 million); Upgrade Existing CSO Facilities (\$0.1 million); BWSC Floatables Control (\$2 million); Framingham Extension Relief Sewer (\$11 million); Wastewater Central Monitoring (\$6.4 million).

Per the Board's request, Joe Favaloro, Executive Director of the MWRA Advisory Board, stated that absent from the list is the North Dorchester Bay Project, which is a major plus. Of the projects presented, \$150 million (80%) are on the water side, with no federal and/or state assistance. As the Authority moves into the next phase, it is fair to say it will be without federal and state assistance. Mr. Favaloro cautioned that the MWRA should move carefully on all of these projects. Specifically, he encouraged staff to update the Board on the current public health research effort related to the Walnut Hill Treatment Plant. As part of the Board vote to seek a waiver of filtration, MWRA has committed to assess the effects of the proposed changes in water treatment on consumer health.

Tender Offer and Refunding Authorization

The Board voted to adopt the thirtieth Supplemental Resolution authorizing the issuance of up to \$300 million in Massachusetts Water Resources Authority General Revenue Refunding Bonds (2000 Series B subordinate series) and the supporting Issuance Resolution.

Since 1995 MWRA has issued more than \$700 million in bonds with a final maturity of 20 years or more, and coupons ranging between 4.5% and 5%. Today, with interest rates above those levels, the value of the bonds has dropped to less than their face amount, creating a desire to get these bonds out of their portfolios. Issuing new synthetic fixed rate debt to generate funds to purchase these bonds can generate savings in overall debt service costs. Synthetic fixed rate debt is a form of borrowing that couples the issuance of variable rate debt with an interest rate swap agreement.

Two virtually simultaneous transactions produce savings. First MWRA offers (a tender offer) to buy back outstanding debt at a significant discount. Responses from the bondholders are submitted to the MWRA so that MWRA can decide whether to proceed with the transaction. The second step is to arrange to issue the synthetic fixed rate debt, which produces the funds to buy back the low interest debt. Prior to executing the transaction, staff would determine whether debt service on the bonds being bought back exceeds debt service on the new debt by an amount sufficient to meet a threshold savings target of 4%. If, for any reason, the savings threshold cannot be achieved, then the transaction does not take place.

Board members asked what the potential savings and potential risks would be on these refundings. Ken Wissman stated that 4% of \$300 million would be a \$17 million savings. Mr. Wissman stated that swap providers going bankrupt is the biggest risk. Staff is trying to put safeguards in place by acquiring high quality providers with high credit quality or with bond insurance.

Mr. Favaloro stated that he applauded the Authority for looking at ways to save ratepayer dollars, however, the Authority has indicated that the \$17 million in savings would begin in FY2007. What level of flexibility exists to utilize that money before FY07 to benefit the ratepayers? Ms. Gottschalk stated that if the money were used sooner, it would not amount to \$17 million. MWRA's rate revenue requirements go up steeply and level out in FY07. If the savings were applied sooner, the increases would be lower now, but will have an even steeper increase to get to FY07. By applying the savings over time, a smoothing benefit will be obtained in terms of smaller increases between now and FY07.

Revisions to Incentive and Other Charges Program

The Board voted to authorize publication of a notice of proposed revisions to 360 C.M.R. 10.000 *et. Seq.*, in the Boston Globe and the Massachusetts Register for public notice and comment.

The Incentive and Other Charges Program assesses charges to holders of MWRA pretreatment program permits. The charges program goals are: 1) to collect from permit holders some of MWRA's costs of regulating them; and 2) to encourage permit holders to reduce their pollutant discharges to the sewer system and to comply with pollutant discharge limits. MWRA collects about \$1.4 million per year under the charges program, about 50-55% of its costs of regulating its permit holders. The historical collection rate has been higher than 97%. The Toxic Reduction and Control Department (TRAC) administers the charges program as part of its regulation of sewer users.

The revisions will increase the charges assessed to permit holders under MWRA's Incentive and Other Charges Program, institute new charges, and make some minor clarifying amendments to the regulations. The proposed revisions will increase the amount invoiced in FY01 to slightly more than FY94 levels and are the first step in a comprehensive process to review and revise the charges program.

Appointment of Program Manager – Mechanical, Deer Island

The Board voted to approve the Executive Director's recommendation to appoint John Fortin to the position of Program Manager, Mechanical at the Deer Island Wastewater Treatment Plant (DITP), in the Sewerage Division at an annual salary of \$67,912, to be effective on the date designated by the Executive Director.

Mr. Fortin has 14 years of experience in the mechanical and wastewater engineering field and holds a BS Degree in Mechanical Engineering from Mass Maritime Academy and a Grade 6 Wastewater Operator's License.

January PCR Amendments – FY2000

The Board voted to approve the amendments to the Position Control Register (PCR), including:

1. Reclassification of positions in the Procurement Unit of the Support Services Division that reflects continued adjustments in workload.
2. Reclassification of a position in the Plant Systems Unit at Deer Island in the Sewerage Division to meet changing organizational requirements.

CONTRACT AWARDS

Weston Aqueduct Supply Mains 1 and 2 Rehabilitation Project – Newton: Spiniello Companies, Contract 6280

The Board voted to approve the award of Contract No. 6280, Weston Aqueduct Supply Mains (WASMs) 1 and 2 Rehabilitation Project to the lowest responsive bidder, Spiniello Companies, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$9,277,300 for a period of 800 calendar days from the Notice to Proceed.

WASMs 1 and 2 are unlined cast-iron water mains. WASM 1 is 48 inches in diameter and was constructed in 1903. WASM 2 is 60 inches in diameter and was constructed in 1916. These pipes are generally in good structural condition except for thick layers of rust (tuberculation), organic deposits in some places, and lead packed joints. For most of their length, scraping and cement-mortar lining the interior pipewall, sealing the joints and replacing appurtenances will make these pipes almost as good as new and will provide improved hydraulic capacity, improved water quality and extension of the pipes' useful lives by at least 50 years. Cleaning and cement mortar lining is a very cost-effective way to restore pipeline function at a fraction of the cost of installing new pipe.

CONTRACT AMENDMENTS/CHANGE ORDERS

Secondary Reactor/Clarifier Battery C: Modern Continental Construction Co., Inc., Contract No. 6159, Change Order No. 41

The Board voted to adopt the Engineer's Decision on Claim CIA-260-08 and authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 41 to increase the contract price on Contract No. 6159 with

Modern Continental Construction Co., Inc., Secondary Reactor and Clarifier Battery C, in the amount of \$38,519.70. The original contract price was \$157,774,257.00, with cumulative change orders totaling \$4,239,856.93 (2.69% of the original contract), for an adjusted contract amount of \$162,014,113.93. No time extension is required. And, further, to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6159 in amounts not to exceed the aggregate of \$250,000.

On December 16, 1998, Modern Continental Construction Co., Inc. submitted a certified claim seeking \$44,419.76 to provide cavity rigid insulation behind pre-cast concrete walls. The Contractor claimed, on behalf of Architectural Paving & Stone, Inc. (APS, Modern Continental's masonry filed subcontractor), that providing cavity rigid insulation behind pre-cast concrete walls was not included in the masonry filed subcontractor's scope of work. The Engineer determined that Modern Continental's claim had merit.

Ancillary Design Modifications, Phase III: R. Zoppo/Interstate Engineering, J.V., Contract No. 6180, Change Order No. 52

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 52 to increase the contract price on Contract No. 6180 with R. Zoppo/Interstate Engineering, JV, Ancillary Design Modifications – Phase III, in an amount not to exceed \$250,000 and to extend interim Milestone “L” by 175 calendar days to February 25, 2000. A contingency transfer in the full amount will be required. The original contract amount was \$28,191,605.00, with cumulative change orders totaling \$6,025,365.63, for a revised contract amount of \$34,216,970.63. Further, to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6180 in amounts not to exceed the aggregate of \$250,000.

Change Order 25, approved at the March 3, 1999 Board meeting, authorized the Contractor on a time and material basis for a total amount not to exceed \$1,300,000, to provide additional monitoring capability for the eight wastewater pumps located in the Lydia Goodhue Pump Station, providing plant staff (located at the Operations Center) with the ability to monitor the unmanned station for critical early detection of excessive vibration, rotation and temperature, that if undetected could threaten to damage these large and vital pumps.

The Contractor's proposal for this work was approximately \$1,650,000, based on the Contractor's having access to work on pumps in accordance with MWRA convenience. Due to the complexity of scheduling and coordinating the work activities, since the pump station is in operation, the availability of the pumps could not be guaranteed. Staff determined that the work should be performed on the basis of a unilateral change order on a time and material basis based on the Construction Manager's fair cost estimate of \$1,300,000.

The basis for the original pricing was that the Contractor would have access to two pumps at a time. However, due to operational issues, DITP has only released one pump at a time to the Contractor, hindering the Contractor's ability to complete the work. The Contractor will not sign the change order, asserting that it may be entitled to supplemental costs for this work. In accordance with the contract, this change order will be issued unilaterally.

Mr. Jacques expressed concern that the change orders currently total over 20% of the contract amount with 52 change orders. Staff replied that work was due to be complete in the next four months.

This summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Mary Ann McClellan at the Advisory Board Office with questions, comments and requests for additional information.