

**MWRA ADVISORY BOARD MEETING
FEBRUARY 24, 2000
MASSACHUSETTS STATE HOUSE
ROOM 350, BOSTON, MA**

MINUTES APPROVED AT THE APRIL 27, 2000 MEETING

Twenty-seven members were present: Edward A. Maguire, ASHLAND; John Sullivan, BOSTON; Darrin McAuliffe, BRAINTREE; Timothy MacDonald, CAMBRIDGE; Ed Sullivan, CANTON; Andrew DeSantis, CHELSEA; J. R. Greene, GUBERNATORIAL APPOINTEE; Bruce Kenerson, LYNNFIELD; Joseph Peluso, MALDEN; Ed Bates, MAPC; Doran Crouse, MARLBOROUGH; Gabriel Federico, MEDFORD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Bernard Cooper, NORWOOD; Ted McIntire, READING; Rod Granese, REVERE; Joe Attubato, SAUGUS; Joe Foti, SOMERVILLE; Walter Woods, WELLESLEY; Jean Thurston, WESTON; Timothy Walsh, WESTWOOD; Brad Hayes, WEYMOUTH; Rob Antico, WILMINGTON; Michael Woods, WILMINGTON.

Also present: John Carroll and Andrew Pappastergion, MWRA Board of Directors; Ernie Williams, CANTON; Ginger Esty, FRAMINGHAM; G. R. Stood, MALDEN; Paul Gore, MEDFORD; Don Goodwin and Joseph Maglione, REVERE; J. Dennis Morgan, WELLESLEY; Representative Robert DeLeo; Representative Kathi Reinstein; Mike Smith, Senator Shannon's Staff; Arthur Hitchman, Senator Tisei's Staff; Lisa Smith, Representative Flaherty's Staff; Josh Meehan, Representative Marzilli's Staff; Matt Boger, UTILITY CONTRACTORS' ASSOCIATION OF NEW ENGLAND; Douglas B. MacDonald, Barbara Gottschalk, Charlene Rideout, John Fitzgerald and Lorraine Downey, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

The meeting was called to order by Chairman Joe Foti at 11:50 a.m., who recognized Representative Kathi-Anne Reinstein. Mr. Foti introduced Representative Robert DeLeo of Winthrop, Chairman of the MWRA Legislative Caucus, and former member of the MWRA Advisory Board. Rep. DeLeo welcomed everyone to the State House and stated that it will be a very interesting year as we approach the budget season. He stated that with the fiscal problems facing the "Big Dig", it is important for the Advisory Board to lobby more this year than ever before. Rep. DeLeo also noted that a discussion on privatization will be held at the State House next week.

B. APPROVAL OF THE MINUTES FROM NOVEMBER 18, 1999

A Motion was made **TO APPROVE THE MINUTES FROM THE NOVEMBER 18, 1999 ADVISORY BOARD MEETING.** It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

Joseph Favaloro, Executive Director of the MWRA Advisory Board, noted meeting cancellation procedures: On the day of the Advisory Board meeting, a fax will be sent to Advisory Board members by 2:00 p.m., noting the cancellation of the meeting. The Advisory Board answering machine will also be updated with a meeting status update.

Mr. Favaloro reported that significant progress has been made on two components of the NPDES permit appeal. EPA, MWRA and the Advisory Board have found areas of agreement regarding the 1.4 million-gallon flow limit and water conservation elements of the permit. The Executive Committee feels comfortable to begin the settlement process with EPA on those two components.

The issue regarding the role of the MWRA and the communities in determining the I/I program remains. Jeff Fowley and Ken Moraff of EPA will present their proposal for I/I guidelines at the March 7th I/I Task Force meeting at 12:30 p.m. in the City of Newton Operations Center.

D. PRESENTATION OF AWARD TO JOHN FITZGERALD, FORMER DIRECTOR, MWRA SEWERAGE DIVISION

Mr. Favaloro stated that through the years he had the opportunity to work with John Fitzgerald in his capacity at the MWRA as the Director of the Wastewater Division. John has given his all. Joe Foti presented the award, which read: “To John F. Fitzgerald in appreciation for your efforts on behalf of the environment and the ratepayers.”

John Fitzgerald stated, “The accomplishments that have been made at the MWRA have been magnificent and I am delighted to have been a part of it and to have worked with the Advisory Board.”

E. PRESENTATION: MWRA FIVE-YEAR PROGRESS REPORT – LOOKING BACK AND MOVING AHEAD, Douglas B. MacDonald, Executive Director

Douglas B. MacDonald, Executive Director of the MWRA, stated that the MetroWest Water Supply Tunnel is going well and is on time and below budget at this point.

The Effluent Outfall Tunnel is a significant problem due to the engineering associated with re-entering the tunnel. Plugs that protect the tunnel from flooding have to be removed. The plugs are 9½ miles out in the ocean and fresh air or a breathing apparatus must be provided for the individuals removing the caps.

Two issues stand in the way of completion. The contractor (Kiewit) has had out-of-pocket expenses between \$80 and \$100 million larger than the value of the Boston Harbor Project contract. Kiewit has filed claims against the job. The contractor wants to solve the contractual dilemma before proceeding. Staff will continue to work with contractor to work through this issue. Additionally, there will be millions more spent on getting to the end of the plug issue. Any plan to reenter the tunnel has to be approved by EPA, DEP, OSHA and National Board and Fisheries.

Oral argument will be heard in early April on the water treatment court case. Nancy Kurtz of MWRA has prepared an update for interested parties.

The fact that MWRA water is improving is the most important message the Authority has for customers. Because of corrosion control improvements, staff can document the drop in lead

levels. Additionally, the Wastewater system is doing well. The I/I Task Force and MWRA are working together to make real progress with EPA and DEP regarding the NPDES permit.

Mr. MacDonald reported that Y2K exercises went well and can be used as a model for other emergency response/security issues and how we manage the overall system.

Mitigation will be a hot issue for the Board of Directors. Mr. MacDonald stated that labor relations and collective bargaining in the state settlement are richer than the Authority is seeking, making it difficult to bargain with our unions who ask why MWRA has different arrangements than other state contracts.

An outside panel has completed the first draft of the five-year report, with both commendations and advice. The issuance of the report will be delayed until the Board of Directors has had time to review the report.

The most important fact relating to the Current Expense Budget is that 54% of the budget is debt service related. Staff continues to review techniques to cushion the debt service impact.

Mr. MacDonald acknowledged the Advisory Board's desire to move ahead with discussion on an MWRA spending cap. He stated that Authority staff wants to set a cap, but stated that they are a long way from figuring out the right way to do it.

Core system communities (fully water and sewer supplied) represent 70% of the population and 75% of the money. Increases for communities with sewer service only are averaging 3½ %. Water and partial water users (248%) are feeling the greatest impacts. Mr. MacDonald stated that no one could look at those numbers without realizing the significant problems we are facing.

John Carroll noted that comparing wholesale charges for water and sewer for the MWRA with another community in another state, such as Houston, would be the real comparison. If you want to say that the MWRA is doing a great job, you ought to compare it to other places in terms of their wholesale rates for the delivery of water and for sewer service. Mr. MacDonald agreed, stating that a lot of people around the United States are paying wholesale water rates above our \$1,243 per million gallons. That is the easiest place to draw some comparisons. He noted that the sewer wholesale rates are more complicated. Staff is trying to find different ways to reduce to a common denominator to produce useful comparisons.

Mr. MacDonald stated that the Cellucci Administration's privatization proposal (\$1 million), which was put into the budget by Administration and Finance, is a proposal by a specific company. MWRA would still set the rates and handles the entire capital program. The company is looking for the opportunity to operate the system. He stated that the supporting material promises no layoffs and comparable wages to induce union support for privatization. The supporting information concludes with a politically attractive, but financially somewhat disingenuous, statement that MWRA ratepayers will enjoy stable predictable rates, but never say how they will achieve the savings. Advisory Board members ought to ask tough questions on how the savings will be produced. Additionally, legislative steps would need to be taken to allow privatization to occur.

Mr. Favaloro stated that for the past month and a half he has visited many of the Mayors and Boards of Selectmen who have expressed concern over the budget growth for the next five or six years. Mr. MacDonald acknowledged that the communities are concerned, but added that communities are willing to participate on how to deal with the state Legislature. He stated that it

is clear that this has to be our joint political objective to set the political table so that state debt service assistance can help offset some of these increases.

Mr. MacDonald stated that the people who reside in the communities are paying for a piece of the community infrastructure, which benefits themselves and every business in Greater Boston. The real question is, “Is it fair that the economy of the state as a whole contribute to the integrity of this system?” Currently the state contributes \$48 million per year. Mr. MacDonald asked, “Where should that number go to be fair to the people who reside in these communities?”

Stanley Stanzin noted that a proposal was presented by the MWRA and the Commonwealth for a \$500 million, ten-year Local Pipeline Assistance Program (LPAP) if filtration was delayed. “Where does the state contribution stand and how much are the litigation costs?” Mr. MacDonald replied that he believed that the state assistance to the LPAP was essentially dropped in the hand off between former A & F Secretary Baker and the current Secretary, Mr. Natsios. He noted that Barbara Gottschalk devised a way to offer the same program for the same amount of money, without state assistance.

The legal fees to date have been \$2 million to save \$180 million. If the Authority loses the case, Mr. MacDonald will not recommend an appeal. If the MWRA wins, Mr. MacDonald is concerned that EPA will take the issue all the way to the Supreme Court. The appeal is not as expensive as preparing 500 exhibits and 40 witnesses, but the Authority may have to provide further defense if we win and that will cost some additional money.

F. COMMITTEE REPORTS

Executive Committee - Joe Foti

◆ DISCUSSION: MWRA COMMUNITY PAYMENT DATE ALTERNATIVES

Joe Favaloro reported that the Authority will be changing the billing cycle in FY01. There are three options: 1) Change Boston’s payment schedule and leave everyone else’s alone. Each community then would pick up the additional cost of keeping Boston whole (\$770,000). 2) Stay with quarterly payments, but change the due dates. 3) Ten smaller payments through the course of the year. This will be an Action Item at the Advisory Board in March.

Finance Committee - Phil Farrington/Katherine Haynes Dunphy

◆ ACTION ITEM: COMMENTS AND RECOMMENDATIONS TO THE MWRA’S FY2001-2003 CAPITAL IMPROVEMENT PROGRAM

Katherine Haynes Dunphy stated that the Advisory Board supports a sustainable program for the next ten years and for the years beyond, acknowledging that there is a transition period to put our efforts into maintaining MWRA assets. In many cases the federal and state agencies, and even non-governmental agencies, see the Authority as having deep pockets. In fact, the Enabling Legislation makes it easy for the Authority to pass on assessments to the communities and on to the ratepayers. Ms. Dunphy stated that there seems to be a disconnect between the spending in the capital budget and those who ultimately have to pay the bills. That is why it is very important that we have the Advisory Board and a Board of Directors who do not see that disconnect. This document shows the Advisory Board’s intent to keep in mind that there are people who ultimately pay the bills and that there is a responsibility to see that capital spending is done wisely and well.

Cornelia Potter stated that the Authority proposes a \$2+ billion plan for the ten-year period. The Authority is proposing that more than 25% be spent in the next year alone (over \$482 million). At \$225 million, Waterworks spending is nearly half of all capital spending. The capital program is shifting toward water.

Three-year spending is proposed to be \$1.2 billion, or nearly two-thirds of the entire ten-year program. Much of that increase in spending is going to be in support of the drinking water quality improvements and the CSO program. The top four projects that the Authority will focus spending on are the Walnut Hill Water Treatment Plant, the North Dorchester Bay CSO Project, the MetroWest Tunnel project and Braintree-Weymouth. For the next three years these four projects represent spending of nearly \$600 million, or 52% percent of all spending.

The Authority identified cost increases for the ten-year period of over \$200 million; \$193 million for new and expanded work and inflation adjustments and \$20 million for four new projects. A large portion of the increases is for revised cost estimates for maintaining and enhancing the DITP as well as a \$40 million cost increase in the projected budget for Walnut Hill. In addition, the Northern High Service Pipeline Rehabilitation Project contributes nearly \$19 million of the cost increases. Of that \$200 million increase, nearly half will appear in the next three years.

While spending in the future is driven by work already underway, there are a number of unawarded contracts that represent more than \$770 million. More than half of those contracts see spending in the next three years. The Authority has projected rate increases of 6.7% or greater for each of the next seven years. Rate increases of nearly \$20 to \$36 million each year are projected.

Capital financing is expected to increase by nearly \$50 million in the next two years. By FY07, which is the seventh year of the 6.7% rate increases, capital financing expense is projected to reach \$450 million, or 77% increase over the FY00 figure. A certain amount of that growth comes from the payment schedule for debt already issued.

Contributing significantly to assessment increases to the communities will be growth in new debt service. As external sources of funding shrink, a certain proportion of the increase is for Waterworks spending that is not eligible for state debt service assistance. Staff recommends steps to reduce projected operating expenses, increasing non-rate revenue, revisiting reserve levels, more direct and active management of the capital program and a series of updates, modifications and reductions to capital spending over the next ten years of \$57.5 million.

Staff also recommends that the \$1.5 million that the Authority proposed for implementation costs for future recommendations from the I/I Task Force is premature for this budget document. A series of smaller cost reductions totaling \$3.7 million for the Deer Island project that have also been identified for a whole series of services of support-related costs that will no longer be needed at the level the Authority previously budgeted. Continued efforts should be made to seek additional funding from outside sources such as the federal government, ways to enhance the SRF program and additional debt service assistance.

Staff recommends a multi-year spending cap limiting capital spending to no more than \$400 million for FY01, \$300 million for FY02-03, \$200 million for FY04 and 05 and \$100 million for FY06-10. The combined total of those numbers is still \$1.9 billion, compared to the Authority's proposal of \$2+ billion. Further, staff recommends that any proposal to change the cap be accompanied by a vote of the Board of no fewer than nine members.

Mr. Stanzin asked if staff had an idea of the total cost for those possible unbudgeted expenses. Ms. Potter responded that the range of potential additional cost increases could reach \$325 million. The filtration component of the water treatment plant could add \$180 to \$200 million. There are also potential cost increases of tens of millions of dollars which have been identified

relating to the site relocation for the North Dorchester Bay pump station, corrosion and odor control and carbonic acid problems at DITP.

Ms. Potter stated that the Authority builds in a 10 to 15% contingency for its budget plans for each year and the overall \$2.022 billion ten-year plan includes \$174 million of contingency allowances should some of the cost estimates be revised upward. That is again the point of the cap.

Peter Hersey asked if only one MWRA building will be moving to the new Chelsea site. Mr. Favaloro replied that the single largest lease cost of the MWRA (Building 36) is being vacated. The other buildings in Charlestown had renegotiated leases in the past two to three years that were more favorable to the MWRA and will remain in Charlestown.

A motion was made **TO APPROVE THE COMMENTS AND RECOMMENDATIONS TO THE MWRA'S FY2001-2003 CAPITAL IMPROVEMENT PROGRAM.** It was seconded and passed by unanimous vote.

Operations Committee - Andy DeSantis

♦ **ACTION ITEM: SYSTEM EXPANSION REQUEST – 60 CRESTWOOD DRIVE, WELLESLEY (SINGLE FAMILY HOME – WESTON)**

Dennis Morgan, attorney for the proponent, stated that a single-family home (legally in the Town of Weston, but landlocked in the town of Wellesley), requests a sewer connection. The request has been approved by Weston, Wellesley, the Legislature, the Governor, and both the Operations and Executive Committees.

A motion was made **TO APPROVE UNDER THE MWRA'S POLICY, SEWER CONNECTIONS SERVING PROPERTY OUTSIDE THE MWRA SEWER SERVICE AREA, THE APPLICATION FOR A SINGLE FAMILY HOME AT 60 CRESTWOOD DRIVE, WELLESLEY HILLS, MA (ENTIRELY LOCATED IN WESTON), BE APPROVED SUBJECT TO THE FOLLOWING PROVISIONS: THAT THE APPLICANT, WORKING COOPERATIVELY WITH THE WELLESLEY DEPARTMENT OF PUBLIC WORKS, REALIZE A FOUR TO ONE GALLON REDUCTION OF FLOW IN THE WELLESLEY WASTEWATER SYSTEM, PROVIDING AN APPROXIMATE DAILY REDUCTION OF 1,320 GALLONS OF FLOW IN THE WELLESLEY SYSTEM; THAT THE APPLICANT PAY A CONNECTION FEE CONSISTENT WITH THE SYSTEM EXPANSION POLICY (FEE SET AT \$7,400).** It was seconded and passed by unanimous vote.

G. QUESTIONS AND COMMENTS

H. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:37 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary