

**EXECUTIVE COMMITTEE MEETING  
FEBRUARY 18, 2000**

**MINUTES APPROVED AT THE APRIL 21, 2000 MEETING**

Present: Guy Carbone, BELMONT; Ed Sullivan, CANTON; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Bernie Cooper, NORWOOD; Joe Foti, SOMERVILLE; Phil Farrington, STOUGHTON.

Also in attendance: John Carroll, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Ryan Ferrara, Cornelia Potter, Nathalie Grady 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 8:37 a.m. A Motion was made **TO APPROVE THE JANUARY 14, 2000 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

**II. ACTION ITEM: COMMENTS AND RECOMMENDATIONS TO THE MWRA'S FY2001-2003 CAPITAL IMPROVEMENT PROGRAM**

Cornelia Potter stated that the Authority projects \$2+ billion spending over the next ten years, including \$1.26 billion in the next three years. It is estimated that nearly one-quarter of the ten-year spending will occur in the next year alone and nearly two-thirds of the ten-year spending growth is scheduled to be spent in the next three years, putting pressure on debt service.

Ms. Potter reported that Waterworks is now nearly 50% of all capital spending. Half of all wastewater spending is for the CSO control program as currently configured in the proposed budget. More than half of all capital spending is for the four largest projects for the next three years: the Walnut Hill Water Treatment Plant (Walnut Hill), the North Dorchester Bay Project (NDB), MetroWest Water Supply Tunnel and the Braintree-Weymouth Project. The Authority assumed that NDB will move forward according to the previous schedule when the CIP was drafted, but is now acknowledging that a multi-year delay is expected which will effect the shape of the capital program. Unawarded contracts continue to be a driver of the Authority's projected spending.

The Authority continues to project measurable rate increases over the next seven years. A year ago it was over 7% and is now in the 6.8% range, much higher than what has been experienced over the last seven years. The dollar amount of rate increases for the last seven years was just over \$70 million; the dollar increase over the next seven years is \$210 million, three times the dollar increase of the previous seven years.

The Authority's rate structure over the next several years could be measurably affected by items not included in the Authority's capital program. The Authority has indicated that some projects, like

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NDB may need an additional \$40 million. If the filtration component for Walnut Hill materializes, it has the potential of increasing capital spending by between \$180 to \$200 million.

The Authority is beginning to identify measurable amounts of rate revenue that would be used to support the capital program. By the end of the decade, it could be approaching \$10 to \$15 million per year, which could help to smooth rates over the ten-year period. The Authority, in order to control rates, has to pursue a multi-part program over a number of years.

An important feature is active management of the capital budget. Staff has recommended over \$65 million of reductions. The Authority has budgeted the total cost of sewer separation, rather than the eligible costs for reimbursement for Boston. Therefore, several recommendations address clarifying these cost estimates. Staff continues to urge the Authority to push for outside funding and to work with the Commonwealth to obtain more debt service assistance.

The Advisory Board believes that a cap on spending should be implemented as follows: FY01 – no more than \$400 million; FY02 and 03 – no more than \$300 million; FY04 and 05 – \$200 million; and \$100 million for the next five years. To reinforce that, staff recommends that any change to the cap receive a vote of no less than nine members of the Board of Directors.

Guy Carbone noted that total legal fees for the avoidance of filtration are budgeted at \$2,125,000, not including the MWRA staff effort. There is a bid coming out soon for the Walnut Hill Treatment Plant Public Health Research (\$2.8 million) to prove that filtration isn't necessary. Mr. Carbone suggested that staff review the Walnut Hill budget. He stated his expectation that in the end the Authority will need to build a filtration plant.

Mr. Favaloro stated that staff can continue to work on breaking out filtration related versus avoidance of filtration costs, but noted that the communities had had the opportunity to choose filtration. Nine or ten communities took a stand for filtration or for watershed protection/local pipeline and ozonation. The communities chose not to take a firm stand.

John Carroll suggested that communities be informed that the Authority has spent \$2 million on litigation and that the promise of assistance from the Administration for the LPAP has not manifested itself.

Stanley Stanzin stated that the \$200 million for filtration broke down to an additional \$17 to the annual ratepayer bill, prompting Needham to opt for filtration. But then the Local Pipeline Assistance Program was offered with \$500 million of assistance if you voted for ozonation, so Needham went along with ozonation. Without the LPAP, Needham would choose filtration.

Ryan Ferrara said one of our recommendations is for the Authority to wait on the CP-4 component until there is clarity on what type of treatment facility is going to be built. The Authority intends to move ahead for a Notice to Proceed for the treatment facilities to begin in September. We are advocating that the Authority revisit consent order dates until such point that we know what direction and what plant we are going to build.

Mr. Favaloro emphasized that the central theme of the recommendations to the capital budget is an

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enforceable sliding cap, to be obtained in cooperation with the MWRA or through the Legislature, providing the MWRA with conditions and guidelines to live within a budget, while still allowing the Authority to proceed with court ordered projects.

John Carroll said if the Executive Committee passes the cap, Board members need a specific motion that states to all the Board members what the impact on rates will be.

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.

Mr. Favaloro commended Ryan Ferrara and Cornelia Potter for their efforts during this budget process. Additionally, he welcomed Nathalie Grady who recently joined the Advisory Board staff as Government/Media Coordinator.

### **III. UPDATE: COMMUNITY MEETINGS**

Mr. Favaloro stated that by the end of February, staff will have met with 26 Mayors and Boards of Selectmen from MWRA communities to discuss the significance of compounded rate increases detailed in a "community profile" that staff compiled using MWRA data. Many of the same concerns were expressed by the CEOs that rates compounded in the 6% and 7% range were too high, creating significant impacts to other priorities that communities need to address. Staff will continue to schedule meetings with the remaining communities.

Once the communities have all been contacted, a collective meeting of the CEOs (hosted by a Mayor or Selectmen) will be held to develop the overall plan with the Advisory Board members. It is always a good opportunity to get into the communities to truly listen to their concerns and ideas.

### **IV. FY2001 CEB PROCESS**

Mr. Favaloro stated that six months ago the MWRA said they would use \$30 million in rate stabilization funds and there was going to be 6+% rate increase. The Authority has moved \$20 million out and is still at 6.7%. They keep moving more of the rate stab out so we don't have a clear picture at any given time. The answer is to use all tools – refinancing, rate stabilization, cuts in directs and indirect expenses and obtain more debt service assistance. There are opportunities in the Current Expense Budget review to restructure some outstanding debt.

### **V. STATUS: LOCAL PIPELINE ASSISTANCE PROGRAM**

The Authority is proceeding to put a packet together to send to the communities so that they can incorporate the Local Pipeline Assistance Program into town and city budgets.

### **VI. DISCUSSION: MWRA COMMUNITY PAYMENT DATE ALTERNATIVES**

Mr. Favaloro reported that the Authority is proposing a series of options to change their billing cycle. At the request of the Board of Directors, Ken Wissman scheduled a meeting with the community Treasurers that occurred this past Tuesday. One treasurer from Woburn attended, choosing either the four or ten payment options.

### **VII. STATUS: NPDES PERMIT APPEAL**

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A Motion was made **TO MOVE THE DISCUSSION TO EXECUTIVE SESSION FOR THE PURPOSE OF LITIGATION AT 9:49 A. M.** It was seconded, and a roll call vote was taken in which the members were recorded as follows:

<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Cooper		
Farrington		
Fink		
Foti		
Haynes Dunphy		
Hersey		
Stanzin		
Sullivan, Ed		

(Guy Carbone left the meeting prior to Executive Session.) The Executive Committee returned to open session at 10:00 a.m.

**VIII. APPROVAL OF THE ADVISORY BOARD AGENDA FOR FEBRUARY 24, 2000**

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE FEBRUARY 24, 2000 MEETING.** It was seconded and passed by unanimous vote.

**IX. QUESTIONS AND COMMENTS**

**X. ADJOURNMENT**

**A MOTION WAS MADE TO ADJOURN THE MEETING AT 10:22 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary