

**EXECUTIVE COMMITTEE MEETING
APRIL 21, 2000**

MINUTES APPROVED AT THE MAY 12, 2000 MEETING

Present: John Sullivan, BOSTON; Ed Sullivan, CANTON; William Hadley, LEXINGTON; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Joe Foti, SOMERVILLE; Walter Woods, WELLESLEY.

Also in attendance: Norman Jacques and Andrew Pappastergion, 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 8:36 a.m. A Motion was made **TO APPROVE THE FEBRUARY 18, 2000 AND MARCH 10, 2000 MINUTES OF THE EXECUTIVE COMMITTEE MEETINGS**. It was seconded and passed by unanimous vote.

II. ACTION ITEM: FY01 ADVISORY BOARD OPERATING BUDGET

Joe Favaloro, Executive Director of the MWRA Advisory Board, stated that the overall increase to the Advisory Board's operating budget for FY01 is approximately \$9,000, or 2.2%. Because the Authority provides the Advisory Board budget in a lump sum at the beginning of the year, staff can use safe, short-term vehicles to accrue interest. For FY00, the Advisory Board earned \$14,000 in interest. Increases in the budget are for salaries and health insurance. A major reduction was realized in equipment lease line item as the copier is paid in full.

Mr. Favaloro noted that future fiscal years would likely be impacted by rent. He reported that the current lease was locked in last year at lower than market rate (\$23 per square foot) for three years, but rates are currently in the \$30+ range per square foot.

The salary request assumes six full-time positions, with the assumption that the vacant Finance and Policy Analyst position will be filled after September.

The FY00 budget is running a \$40,000 surplus because of lower than anticipated personnel expenses. Mr. Favaloro suggested that the surplus be used to fund the liability related to personnel policies which allow 30% of unused sick time over 75 days and unused vacation time to be taken by employees who leave.

A Motion was made **TO APPROVE THE FY01 ADVISORY BOARD OPERATING**

BUDGET, WITH THE DESIGNATION OF SURPLUS FUNDS ALLOCATED TO PRE-FUNDED LIABILITY. It was seconded and passed by unanimous vote.

III. ACTION ITEM: ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY01 CEB

Cornelia Potter stated that the Advisory Board is recommending nearly \$11.6 million in reductions to the Authority's proposed budget of \$502 million. It would revise the proposed rate increase from 6.7% to 3.5%. The Advisory Board has made a series of recommendations, which would modify the proposed budget increase by almost one-half. Roughly 30% of the recommendations are for operating expenses; 30% are for reductions from capital finance; 30% are recommendations to utilize more rate stabilization funds; and the remainder is from a modification to the payments associated with the MDC's Division of Watershed Management.

Until the Authority has completed its management study in the Engineering and General and Administration areas, staff proposes a hiring freeze, except for the Chief Operating Officer position or positions filled from within the Authority.

Staff made a series of recommendations related to the operating and maintenance line items due to delays of one month in the Chelsea North Maintenance Facility.

Staff recommended reductions of \$3.787 million (partially offset by \$585,000 in lower debt service assistance eligibility) to the Authority's proposed \$270 million budget for capital finance related expense. Staff recommends that borrowings of \$200 million should be on 40-year payment terms, instead of 30-year terms.

The Authority's Feasibility Engineer has reviewed the Renewal and Replacement Reserve and determined that it could be reduced from \$50 million to \$35 million and that the Insurance Reserve could be reduced from \$20 million to \$18.1 million. Staff recommended that the \$15.5 million (after not accruing the \$1.34 million for the FY00 planned deposit in the Insurance Reserve) be used over a five-year period. Additionally, staff again urged the Authority to continue to pursue external funding, including a 50% state cost share on MDC related expenses.

A Motion was made **TO APPROVE THE ADVISORY BOARD'S COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY01 CEB.** It was seconded and passed by unanimous vote.

IV. ACTION ITEM: DEDHAM/WESTWOOD WATER DISTRICT SUPPLY AGREEMENT RENEWAL

Joe Favalaro stated that the MWRA Board of Directors approved the Dedham/Westwood Water District's request to renew their emergency water use agreement, contingent upon the Advisory Board's approval. Dedham/Westwood needed the emergency agreement to assist them during removal of some of their tanks. The construction process was delayed. Dedham/Westwood wants the connection in case of fire emergency. The Operations Committee approved the agreement unanimously.

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A motion was made to approve the **DEDHAM/WESTWOOD WATER DISTRICT SUPPLY AGREEMENT RENEWAL**. It was seconded and passed by unanimous vote.

V. DISCUSSION: STATUS – CIP CAP

Mr. Favaloro stated that the Advisory Board's CIP comments recommended a cap beginning in FY01 at \$400 million and reducing to \$300 million for FY02 and 03; \$200 million for FY04 and 05; and \$100 million for the five years thereafter. He noted that the overall change in the Advisory Board's recommendations with the cap amounts to \$200 million. The cap assumes a pace of spending and is more to address projects that are not yet included in the budget, as opposed to ones that are already included.

MWRA budget hearings with the Board of Directors take place in mid May. MWRA staff has agreed to a ten-year cap that creates the limits that need to be placed on MWRA spending. The Authority's levels of anticipated spending differ with the \$400 million put forth by the Advisory Board, but the Authority is beginning to embrace the concept. Advisory Board and MWRA staff will continue to work toward a monetary agreement.

Additionally, Advisory Board staff has proposed that nine members of the Board of Directors must approve any change to the cap.

Ms. Potter stated that in the next round of budget preparation, limitations and seeking alternatives would hopefully now be part of staff's thinking. Ryan Ferrara noted that it would also give everyone at the Authority involved all phases of the construction process the sense that there are limitations in spending. The cap forces all the employees to think in terms of overall spending patterns.

Mr. Stanzin suggested that the cap be highly publicized through the Legislature and the newspapers so that it becomes, in essence, "cast in stone". He stated that having a cap is a major milestone.

Mr. Favaloro noted that a cap is meant to keep rates of 6.7% from going to 7.5% or higher. Legislative measures would be the tool to use to get 6.7% reduced over a consistent period of time.

VI. LEGISLATIVE UPDATE

Mr. Favaloro reported that the CEOs from all the MWRA communities have been invited by Somerville Mayor Dorothy Kelly Gay to discuss an overall rate strategy and cap on May 2nd at Somerville City Hall. Community involvement will provide a stronger voice of support behind the Advisory Board's recommendations.

Legislative amendments were filed relating to funding for the Walnut Hill Water Treatment Plant; 50% cost sharing for the MDC Division of Watershed Management in accordance with the original Enabling Act; and language relating to the relinquishing of surplus property to the custody of the Division of Capital Asset Management. The surplus language has passed through the House side and staff is vigorously pursuing Senate support.

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Finally, to give Advisory Board members the opportunity to learn more about the privatization proposal submitted by the Cellucci Administration, Paul Ladd and Scott Jordan from Administration and Finance will attend the April 27th Advisory Board meeting to express their views on privatization. Additionally, two private water firms, the MWRA Labor Coalition and MWRA staff will also offer their perspectives.

VII. APPROVAL OF THE ADVISORY BOARD AGENDA FOR APRIL 27, 2000

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE APRIL 27, 2000 MEETING, WITH THE ADDITION OF THE CONTINGENCY FUND AMENDMENT.** It was seconded and passed by unanimous vote.

VIII. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 10:01 A.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary