

**MWRA ADVISORY BOARD MEETING
NOVEMBER 15, 2001
BRADLEY ESTATE
ROUTE 138, CANTON, MA**

MINUTES APPROVED AT THE JANUARY 17, 2002 MEETING

Twenty members were present: Edward A. Maguire, ASHLAND; John Sullivan, BOSTON; Ed Sullivan, CANTON; Albert Renzi, FRAMINGHAM; J. R. Greene, GUBERNATORIAL APPOINTEE; Gary Genovese, LEXINGTON; Bruce Kenerson, LYNNFIELD; Ed Bates, MAPC; Doran Crouse, MARLBOROUGH; Gabriel Federico, MEDFORD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Bernie Cooper, NORWOOD; Ted McIntire, READING; Thom Donahue, SOMERVILLE; David Savoy, WALTHAM; Tim Walsh, WESTWOOD; Rob Antico, WILMINGTON.

Also present: John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; James Moran, CANTON; Michael Hornbrook, Barbara Gottschalk, Leroy Walker, Steve Estes-Smargiassi and Lorraine Downey, MWRA STAFF; Joe Favaloro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:59 a.m. and introduced Secretary Ed Sullivan who welcomed everyone to Canton.

B. REPORT OF THE EXECUTIVE DIRECTOR

Joe Favaloro, MWRA Advisory Board Executive Director, stated that the next scheduled meeting of the Advisory Board will be in Wilmington in January.

Staff is in the final stages of the Water and Sewer Retail Rate Survey update, which includes a summary of actual water use and new census data information.

C. PRESENTATION: RESULTS OF THE MWRA'S IMPROVEMENT PROGRAM STUDY – Barbara Gottschalk, Director of Finance; Michael Hornbrook, Chief Operating Officer; Leroy Walker, Director of Human Resources

Michael Hornbrook stated that at the last Board of Directors meeting, the results of Black and Veatch's (B & V) "Improvement Plan" were presented by functional areas.

B & V's assignment was to develop staffing targets for 18 functional areas within the Authority through FY05. Additionally, the study looked at a Work Process Improvement Program to look at various functions to determine if these methods could be improved.

The functional areas that B & V studied included Operations/Maintenance, Planning, Engineering and Construction and Management/Administration support. As of today MWRA has 1,529 positions. Between December 2000 and September 2001 the staffing level was reduced by 50 positions.

B & V determined that 1,538 positions would be sufficient to operate the MWRA for FY02. The Authority has already reduced its staffing to 1,529 positions. The 1,529 positions are an aggregate and do not coincide with B & V's breakdown by functional area. For example, under wastewater treatment the proposed number is 211 positions, while MWRA is currently at 200; however, capital and maintenance engineering was proposed at 163 positions, while MWRA currently has 168 positions. The attrition rate has been slowing down.

Through FY05 B & V recommends a total reduction of 1,315 positions, 214 fewer positions from today's head count.

One comment received from the Board was that the staffing table did not show a five-year projection, which would cover FY03 to FY07. Staff agreed and B & V provided a preliminary number of 91 positions for FY06 and FY07, a total number through FY07 of 1,200 positions. This reflects a reduction of 33% for all field positions.

Since last Wednesday, MWRA has been making the information known to staff, going out to remote sites to explain the numbers and how they were derived. Examples have been posted on the Intranet. The information was also made available to frontline managers. MWRA will be consulting with the people who will be managing these recommendations on how to meet these numbers so that the Authority can go back to the Board in January and explain the implications.

John Carroll asked staff to explain how the Competitiveness Study was renamed the Improvement Program. Leroy Walker stated that just prior to presenting the staffing assessment recommendations, the unions opted out of the Project Advisory Group because they felt that the name Competitiveness Study suggested that they weren't competitive now.

Michael Hornbrook noted that MWRA wanted to be in the top 15% in categories comparing MWRA with other facilities across the country. B & V developed a total of 30 performance measures for the 18 functional areas. B & V concluded

that there was no utility that was in the top 15% of the 30 functional areas. Some utilities were in the upper 50% in all areas, but no utility was as high as the MWRA. B & V felt that the Authority could not provide the services it does, with the recommended reductions, and maintain the goal of being in the top 15% of all 30 performance categories. MWRA staff asked for a recommendation for a goal if the 15% goal is not attainable. B & V produced a methodology that provided two different ways of looking at MWRA's staffing. For Operations and Maintenance, a mock bid was done by a sub-consultant, which provided the staffing number. Additionally, the capital budget was used as a measure to calculate future staffing needs.

Mr. Carroll stated that this study evolved because we wanted to prove that the MWRA is competitive. Could we clearly show that the wastewater treatment operation requires 204 people in FY03 if the privateers said it required only 142? Mr. Hornbrook stated that the numbers are based on what B & V think a private operator would bid to staff Deer Island. The only advantage of a private operator would be that if B & V showed 190 employees at Deer Island by 2005, the private contractor would give the bid price today for 190, but would still staff it at 200 because they have the same constraints that MWRA has. It is a timing issue. The private contractor would provide an up front payment, but MWRA is getting to the same numbers as the private contractor, while retaining a trained work force. For the next privately bid contract, there is no competition and whatever price they come in at, MWRA would have to pay the prevailing rate.

John Sullivan asked if the Authority has considered offering early retirement. Mr. Hornbrook stated that a targeted early retirement could not be done, and it would have to be broad based. The Authority may get early retirement in areas that would have to be filled. The current attrition rate has slowed; when the possibility of an early retirement program is suggested, no one will leave until this situation is clarified.

If the state offers early retirement, it may apply to some MWRA employees who are under the state retirement system and came from the MDC. MWRA would probably receive some significant political pressure to adopt a companion piece of legislation. John Sullivan noted that the Authority could easily do a quick scan of its employees to see what the implications would be.

Jay Fink asked how the community assistance programs will be affected as employees are reduced through FY07. Mr. Hornbrook stated that MWRA has a unique and complex NPDES permit; therefore, ENQUAD (MWRA's Environmental Quality Department) would be exempt from B & V's scope. B & V spent time with work process orders and came up with four full time equivalents to be spent on community assistance (five days a week for cleaning and inspections, etc.), and is listed as an explanatory factor. MWRA's goal is not to reduce community assistance, but rather to continue to provide the same level of

service with fewer people. If the Advisory Board members feel they are not receiving the same level of service, these numbers will be revisited.

Joe Favaloro, who served on the Project Advisory Group, stated that when this process began, the expectation was that there would be a blueprint for what the right size staff at the MWRA will be over a five-year horizon. Mr. Favaloro felt that the resulting numbers represented what MWRA and B & V wanted the numbers to be, rather than what they should be.

The economy has begun to spiral downward. Massport has had reductions because of economic impacts and the Commonwealth is facing potential reductions in force on the order of 5,000 to 7,000. If the Authority begins to feel budget impacts imposed upon it from others, is the Authority going to remain within the staffing goals prescribed by B & V, or will it relook the numbers? The numbers need to be determined in order to be competitive or at least help communities as they are looking at their assessments.

Mr. Hornbrook stated that the Authority did not tell B & V to provide a particular number. B & V was hired to evaluate the MWRA and provide a number. Mr. Hornbrook stated that he felt the number was aggressive and acceptable, but is not chiseled in granite. The MWRA must go back every year to review these staffing goals and take into account the impacts to its service and what is happening with the economy. The B & V report gives the Authority a direction to head for, but that number may have to be increased or decreased because circumstances change.

Stanley Stanzin asked if B & V sent experts out in the field to determine whether the utilities MWRA was compared to functioned efficiently. Mr. Hornbrook stated that B & V did not go out to every facility to see how it was performing, but did check whether the utilities were in violation of permits or under enforcement actions.

D. COMMITTEE REPORTS

Executive Committee - Katherine Haynes Dunphy

❖ **PRESENTATION: IMPACTS OF THE COMMONWEALTH'S FY02 BUDGET**
– Barbara Gottschalk, Director of Finance

Barbara Gottschalk, Director of Finance, reported that the MWRA was asked to provide any number of scenarios to State Administration and Finance (A & F) regarding the impacts of a reduction in debt service assistance. Examples that were provided included 10% and 50% reductions, as well as level funding going forward.

If there is a reduction, the MWRA Board of Directors will face difficult choices on whether to take all the rainy day rate stabilization funds and use them this year to make up for full debt service reductions for FY02; whether to have a one time

large increase; or smooth out the impact. If the Board didn't act, MWRA would have to send out revised assessments to the communities.

Mr. Favalaro stated that the numbers that the Advisory Board has been hearing are all over the map. There will most likely be a hit ranging from \$12 million to \$30 million. The impacts will linger over a multi-year period. For every \$3.9 million in reduced revenue it is an impact of one percentage point.

Ms. Gottschalk stated that there are a fair number of options and it is possible to not have an increase this year. Part of it depends on how big the reduction is. In all of staff's rate projections for the future the plan is to spend the rainy day funds, which is not extra money that is tucked away. Ms. Gottschalk showed A & F all of MWRA's reserves and explained why they shouldn't be touched.

Mr. Favalaro noted that the solution is not just going to the rainy day fund, but rather a combination of rainy day funds, special funds, and direct cuts.

Ms. Gottschalk stated that she hadn't heard anybody talk about anything other than some reduction either in FY02 or FY03 and then level funded after that for the future. Planning estimates assumed that debt service assistance increases. If it should come to level funding, that in itself will be difficult.

Ed Sullivan stated that it is important for the communities that have already set their rates to be proactive and look at various options should there be a reduction in debt service assistance.

Chairman Dunphy presented Ms. Gottschalk, who is leaving the MWRA, with a plaque in recognition of her efforts on behalf of the ratepayers during her years with the MWRA. Ms. Gottschalk stated that it had been a pleasure to work with the Advisory Board.

Operations Committee - Andy DeSantis

❖ **STATUS: SYSTEM EXPANSION COMMITTEE**

Joe Favalaro reported that three System Expansion Committee meetings have been held to date. At the last meeting the Committee attempted to strengthen components on the wastewater side. The Committee has suggested lifting the moratorium on communities wanting to seek entrance into the MWRA since the criteria put forward through the NPDES permit is based on flow.

The Committee is also seeking to strengthen ways to demonstrate that there have been reductions of inflow and infiltration (I/I) through creative tools that include some level of retaining funds to ensure completion of the I/I reduction requirement. Additionally, a level of reduction of four to one as a standard in I/I reduction in order to gain entrance on the wastewater side will be included; and a master planning component to be part of the process for an entity, except in the case of a single family home.

Finance Committee - Phil Farrington

❖ **UPDATE: CIP AND CEB**

Cornelia Potter stated that MWRA staff has begun the preparation of budgets for next year. On the current expense side, the Authority is in the process of putting the budget together.

For this year the Authority's capital spending is now within 20% of the budgeted amount. The largest component of the variance has to do with spending around the CSO program. Another contributor to the variance for the year to date has been lower draw downs on both the I/I program and the Local Water Improvement Program.

On the CEB, the Authority continues to tighten spending on the direct expense side and has spent less during the first four months this year than it did in the first four months the last three years.

The Authority will continue to progress on reducing direct expense spending due to the recent renegotiations for electricity supplied to Deer Island, as well as continuing reductions in staff, although the staff reductions have slowed in the last couple of months.

On the indirect side, spending this year is fully \$11 million more than the first four months of the previous year. Contributing to this increase are larger payments for watershed related expense (including PILOT payments), as well as unbudgeted mitigation payments to Quincy.

The Authority is experiencing lower than budgeted investment income due to lower interest rates, but still remains close to budget (at this time).

E. QUESTIONS AND COMMENTS

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:35 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary