

**EXECUTIVE COMMITTEE MEETING
NOVEMBER 9, 2001**

MINUTES APPROVED AT THE JANUARY 11, 2002 MEETING

Present: Guy Carbone, BELMONT; John Sullivan, BOSTON; Ed Sullivan, CANTON; Albert Renzi, FRAMINGHAM; Katherine Haynes Dunphy, MILTON; Jay Fink, NEWTON; Bernie Cooper, NORWOOD; Walter Woods, WELLESLEY.

Also in attendance: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter, Ryan Ferrara and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the October 12, 2001 Minutes of the Executive Committee

The meeting, held at the Advisory Board office, was called to order by Chairman Katherine Haynes Dunphy at 8:46 a.m. A quorum was not in attendance; therefore, a vote for approval of the Executive Committee minutes could not be taken.

II. Results of the MWRA Improvement Study

Joe Favaloro stated that last July the Authority hired Black and Veatch to do a Competitiveness Study, which is now referred to as the Improvement Plan, to evaluate functional areas within the MWRA and compare the Authority to like entities to provide a range of staffing levels. This past Wednesday, staff presented to the Board of Directors a bottom-line number of 347 staff reductions over the next five years throughout all of the functional areas of MWRA to be reduced through attrition, retooling, or layoff if necessary. A full presentation of the Improvement Plan results will be made at the next Advisory Board meeting by Barbara Gottschalk, Mike Hornbrook and Leroy Walker.

Black and Veatch had problems finding entities similar to the MWRA and in response configured their own formula. For the Operations and Maintenance areas, Black and Veatch had the firm of Woodward and Curran do a mock privatization plan to take over the MWRA and came up with a range of high and low staffing targets. The good news is that the Authority will reduce its workforce by 347 positions.

Bernie Cooper asked what the chosen target for 2002 is. Mr. Pappastergion replied that the target chosen was 1,538 positions, and MWRA has already met that target, with the current number of filled positions at 1,527.

John Carroll noted that the Board voted to exclude FY01 and FY02 from the study and have the study begin at FY03 to FY07. This vote resulted in the addition of another 92 positions to be eliminated during FY04 and FY05 for a total reduction of 350 positions [according to the latest report to the Board of Directors on December 12.]

Ed Sullivan asked what measures were used in evaluating the MWRA. Mr. Favaloro reported that Black and Veatch used hundreds of methods including miles of pipes on the water side; developed their own formula using the capital budget and decrease over time and the amount of the capital budget to determine staffing levels.

Andrew Pappastergion stated that the numbers are triple in MIS and Public Affairs at the Authority and noted that MWRA has more employees per mile than many other utilities. Mr. Pappastergion stated that if he were doing the study, he would break it down further by function in terms of staffing to see justification for this many people. Is it the community assistance portion driving the numbers of people up? In a lot of categories, MWRA was last.

Walter Woods suggested that every department head should have to justify these numbers.

Mr. Carroll suggested that the whole report be shared with the Executive Committee. The Study compared the MIS department, which has 90 people, in two ways: 1) Staff per 100 PCs; 2) Staff verses gigabytes. The Town of Norwood MIS Department has a staff of seven supporting 1000 PCs compared to seven per 100 PCs at the MWRA. Staff says that the systems are more sophisticated. Mr. Carroll stated that there are way too many people in MIS and Public Affairs.

Mr. Favaloro noted that we don't want to get a number that is too easily attainable.

III. Status of the State Budget on MWRA Debt Service Assistance

Mr. Favaloro stated that preliminary numbers coming from the state for debt service assistance for MWRA funding in FY02 could be reduced to \$30 million, a \$20 plus million loss from the original proposed budget.

Mr. Carroll stated that since cities and towns have already adjusted their rates for FY02, perhaps there will not be cuts this year.

Mr. Favaloro stated that if debt service assistance is reduced, the MWRA would have two options: 1) the Authority could use rate stabilization funds to replace the estimated \$24 million reduction and keep FY02 at 3.5%, with 9+% increases for FY03-05; 2) the Authority could take the hit during FY02 with a 10+% increase with half the year to recover, followed by 7+% increases for FY03-05.

Ms. Dunphy stated that the use of rate stabilization funds would affect the Authority's ability to smooth the out years.

Mr. Carroll asked how much money the MWRA has on hand. Ms. Potter stated that the Authority has \$143 million in rate stabilization, \$20 million in the CORE fund and over \$200 million in debt service reserve.

Mr. Favaloro stated that the Authority's first approach is the use of rate stabilization funds. The Advisory Board staff feels that there should be a combination of rate stabilization funds and ratcheting down the budget through reductions in expenses.

Ms. Dunphy asked staff to provide more information on the Improvement Plan to members.

Mr. Favaloro reported that the state budget season ends November 21st and appropriation bills cannot carry forward. The Legislature needs to have the budget document by Monday or Tuesday. Whatever the Legislature does may be vetoed by the Governor with the possible insertion of \$30 million as the debt service assistance figure.

Mr. Pappastergion noted that the Board of Directors instructed MWRA staff to prepare actual numbers and not to cushion with rate stabilization funds to show the impacts to Administration and Finance.

Mr. Favaloro stated that with the uncertainty of debt service assistance it is difficult to get a handle on the budget process for FY03. At some point, a rate revolt could be triggered.

Ms. Dunphy suggested that the Executive Committee wait and see what happens next week to determine where the MWRA stands at that point. If debt service assistance is reduced substantially, the Advisory Board needs to be tougher on its message during the budget process.

Mr. Favaloro stated that the Authority has different tools available to them to reduce costs and the Advisory Board should continue to emphasize these messages to the Authority.

IV. FY03 CIP and CEB Budget Review Process

Ms. Potter stated that even if the Authority gets a handle on spending, there is still growth in the Current Expense Budget (CEB). What are the opportunities for the MWRA to refinance outstanding debt? The ten-year projections are being revised and short-term rates have fallen dramatically. In August FY02, 03, and 04 the MWRA will have opportunities to refinance. Authority staff won't predict the savings because of the uncertainty of interest rates.

With possible reductions in debt service assistance, Advisory Board staff feels that the MWRA should look hard at its capital program and have tough discussions on major contracts. Obvious is the huge South Boston CSO program. MWRA has been making important advances with chemical and other services contracts and electricity savings, as well as the Improvement Plan. It is important to note that any \$1 cut from debt service assistance is really equivalent to \$1.10 [because of the loss's impact on coverage requirements].

Mr. Cooper asked what impact security issues will have. Mr. Ferrara noted that the Authority already was in the midst of developing a security plan. Since September 11th the Security Plan is being altered and the Board of Directors has been notified that the Plan will be expanded. A long-term plan has yet to be defined. Currently the state is paying the cost for the National Guard at the Quabbin and Wachusett Reservoirs.

There will be some overtime issues, but nothing extensive has yet been identified for the near term.

Mr. Favaloro stated that the real test will be when the state stops paying the costs of the State Police and National Guard. How much of that presence will MWRA still need? The Authority has received a few requests over the past couple of weeks. The State Police have requested three to four all terrain vehicles to patrol the Wachusett Reservoir. Additionally, the Authority is hiring a terrorist consultant who will probably add millions of dollars to the budget.

Mr. Pappastergion stated that the Authority has made the response it needed to make.

Ms. Potter noted that the year-to-date investment income is down.

V. Approval of the Advisory Board Agenda for November 15, 2001

A quorum was not present.

VI. Questions/Comments

VII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:46 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary