

**EXECUTIVE COMMITTEE MEETING
JANUARY 11, 2002**

MINUTES APPROVED AT THE FEBRUARY 22, 2002 MEETING

Present: Phil Farrington, ARLINGTON; Guy Carbone, BELMONT; John Sullivan, BOSTON; Albert Renzi, FRAMINGHAM; William Hadley, LEXINGTON; Dana Snow, MARBLEHEAD; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Jay Fink, NEWTON; Edward D. McIntire, READING; Walter Woods, WELLESLEY.

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

I. Approval of the October 12, 2001 and November 9, 2001 Minutes of the Executive Committee and the October 12, 2001 Executive Session Minutes of the Executive Committee

The meeting, held at the Advisory Board office, was called to order by Chairman Katherine Haynes Dunphy at 8:37 a.m. After a wording change requested by Stanley Stanzin was made to the October 12, 2001 Minutes of the Executive Committee, a Motion was made **TO APPROVE THE OCTOBER 12, 2001 AND NOVEMBER 9, 2001 MINUTES OF THE EXECUTIVE COMMITTEE AND THE OCTOBER 12, 2001 EXECUTIVE SESSION MINUTES OF THE EXECUTIVE COMMITTEE.** It was seconded and passed by unanimous vote.

II. System Expansion Committee Update

Joe Favaloro, Advisory Board Executive Director, reported that the System Expansion Committee has met five times. A final draft version for the wastewater portion of the policy is nearly ready. The Committee is revisiting the moratorium on allowing community applications into the wastewater system. The moratorium proposed to be eliminated allowing communities to submit an application for entry into the system. The strict criterion for approval, however, remains in place.

The System Expansion Committee has included language that allows for accountability in the elimination of the four to one inflow and infiltration (I/I) reduction requirement for all new entities into the system.

The Committee is currently reviewing existing criteria on the water side and is determining if the MWRA has water to sell and the process that will get it out to potential customers. Further meetings on the waterside will be required to work out differences.

III. Legislative Update

Mr. Favaloro stated that on January 23rd the Governor will release the House 1 budget. The Authority survived the first year of significant budget cuts by the Legislature with only a small cut.

Speaker Finneran is looking at a potential for a \$600 million reduction in the overall state budget for FY03; therefore, there could be some further reductions in debt service assistance.

Language that was in the FY02 budget asked the MWRA to provide a report on privatization, which is due February 1st.

Additionally, Stephen Crosby, Secretary of Administration and Finance, is transitioning over to be Chief of Staff for the Governor. A new Secretary for Administration and Finance has yet to be named.

IV. Action Item: Emergency Water Supply Agreement Between MWRA and the Town of Stoughton

Chairman Dunphy reported that the Town of Stoughton made a presentation at the Operations Committee meeting this past Tuesday regarding their pending application for membership into the MWRA Water System.

Mr. Favaloro noted that this is Stoughton's fourth request for an emergency extension. Stoughton is well into the process of joining the MWRA and is paying the prevailing rate for water and an entrance fee.

Michelle Drury of the Water Resources Commission (WRC) was also in attendance at the meeting on Tuesday and stated that Stoughton's application was in process with the WRC. Once the proposal is reviewed, there is a sixty-day comment period followed by the WRC's report and an additional sixty-day comment period. SEA Consultants and Stoughton will make a full presentation at the next Advisory Board meeting.

John Sullivan made a Motion TO APPROVE AN EMERGENCY WATER SUPPLY AGREEMENT BETWEEN MWRA AND THE TOWN OF STOUGHTON. It was seconded and passed by unanimous vote.

V. Review of MWRA Adoption of Early Retirement Incentive Program

Mr. Favaloro reported that the Legislature and the Governor signed into law an Early Retirement Incentive Program that has the potential to affect 6,000 plus state employees. The state has allowed the Authority and others to join the program. MWRA has 160 – 170 employees that came from the Metropolitan District Commission (MDC) who remain part of the State Retirement System.

Some employees went to the State Retirement System to seek advice and were rejected due to language that said that paychecks had to be issued by the Commonwealth. After a discussion between legal counsel, Fred Laskey and the State Treasurer's Office, a change was made in the language to make former MDC/current MWRA employees eligible. There are 340+ employees eligible at MWRA, of which 125 are estimated to take advantage of the program. Without subsequent change, former MDC employees must retire by March and MWRA employees by the end of June. A restriction of 20% has been placed on replacing the retiring employees.

Cornelia Potter noted that Authority staff expects this process will be a major distraction through spring, sorting applications and replacing personnel. Some upper level senior management may be eligible for the Program. PCR amendments will be required as these positions are filled or reconfigured.

Guy Carbone inquired whether the filtration issue will be revisited with this round of senior management leaving the MWRA. Mr. Favalaro stated that the short answer is no. With the state budget cuts all of the state agencies took significant reductions. MDC has now stopped overtime, which is currently used for the gull harassment program. Without the gull harassment, the MWRA may be in violation of one of the criteria. MWRA pays for the overtime.

VI. Advisory Board CIP Budget Review Process

Ms. Potter reported that staff is now a week into its sixty-day review period for the capital budget. Staff has scheduled 14 meetings over the next three to four weeks to review various components of the capital program and to bring Advisory Board staff up to date on Current Expense Budget (CEB) developments.

Ron Joseph, Director – Rates and Budget and Carl Erickson, who replaced Tracey Harik and Stacey Donnelly in the combined position of Budget Manager, will make a presentation at the next Advisory Board meeting on the Proposed FY03-05 Capital Improvement Program (CIP).

The proposed spending is \$1.5 billion over the ten-year period, more than half of which, or nearly \$900 million, will be spent in the next three years.

The Authority expects slower spending for this fiscal year; virtually the same level of spending that was projected for FY03; and somewhat lower spending for FY04. Remaining funds will slide into the rest of the decade, as will a projected \$99 million of increased spending for a series of new projects and project cost increases that the Authority has identified.

Beyond FY02, the Authority is projecting \$1.5 billion in spending, which will include \$150 million of contingency fund allowances. Much of the increased spending falls in mid decade, FY05 to FY07.

The components of that \$99 million increase in the overall capital program spending include eight projects, which account for nearly three quarters of the increase, including increased estimates for the construction of the East Boston Branch Sewer Relief Project; increases of nearly \$9 million for Walnut Hill; \$8 million for the Shaft 7 to WASM 3; \$8 million in cost increases for the MetroWest Tunnel. All other cost increases total \$26 million or the remaining quarter of the overall \$99 million in cost increases.

There are other potential cost increases that are not in the budget, which include repair or rehabilitation of existing headworks and pump stations (currently estimated at annual cost of \$10 - \$17 million); interceptor renewal (estimated cost of over \$16 million per year for the next 25 years); there may be additional CSO regulatory requirements, additional filtration, etc.

Ryan Ferrara added that three key projects for Waterworks over the next three years are MetroWest Tunnel, Walnut Hill Water Treatment Plant, and Norumbega Covered Storage tanks. These three projects account for 55% of the Waterworks system improvement line items.

Walnut Hill site work and storage tanks are approximately 88% complete and CP4, which is the treatment plant construction contract, is about 12% complete.

The CIP contains a \$5 million line item for the rehabilitation of the Hultman Aqueduct, which has been online for 50 years and is due for a substantial rehabilitation.

Mr. Ferrara noted that one additional area that staff will probably comment on in its CIP review is security. After September 11th, security issues became a higher priority. Staff will work to ensure that the ratepayers' money will be spent in the most cost-effective way. Security cameras are great, but if no one is there to monitor the cameras, they don't serve a purpose.

MWRA Board of Directors recently approved the design/build approach for the Blue Hills and Low Service Storage Near Spot Pond Covered Storage Projects. The Advisory Board has been encouraging the Authority for years to utilize the design/build method, which provides a more cost-effective means for project implementation and truncates project delivery times.

John Sullivan noted that beaches were shut down four or five times during the last year, without rain.

Ms. Dunphy questioned whether anyone is looking at the reasons for beach closings. John Sullivan stated that the Authority is looking into it, but there is no ongoing study.

The CIP contains \$1.1 billion for projects not yet awarded; much is for construction (\$925 million).

VII. Evaluation of Executive Director

Chairman Dunphy stated that she contacted Executive Committee members for input regarding the evaluation of Advisory Board Executive Director, Joe Favaloro. The overwhelming response was to extend Mr. Favaloro's contract for another year.

A Motion was made **TO EXTEND THE CONTRACT FOR THE EXECUTIVE DIRECTOR, JOSEPH E. FAVALORO, JR., FOR AN ADDITIONAL YEAR, THROUGH JUNE 2004.** It was seconded and passed by unanimous vote.

Mr. Favaloro expressed his appreciation and stated that he still enjoyed the challenge derived from his job.

Mr. Favaloro sought authorization from the Executive Committee to spend time revisiting the Advisory Board's salary structure, which has not been reviewed for six to seven years. The Executive Committee authorized further review.

VIII. Approval of the Advisory Board Agenda for January 17, 2002

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE JANUARY 17, 2002 MEETING.** It was seconded and passed by unanimous vote.

IX. Questions/Comments

X. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:50 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary