

**MWRA ADVISORY BOARD MEETING
FEBRUARY 28, 2002
MASSACHUSETTS STATE HOUSE
ROOM 350, BOSTON, MA**

MINUTES APPROVED AT THE APRIL 25, 2002 MEETING

Twenty-five members were present: Phil Farrington, ARLINGTON; John Sullivan, BOSTON; Charles P. Barry, BROOKLINE; Edward Sullivan, CANTON; Albert Renzi, FRAMINGHAM; J. R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; William Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Doran Crouse, MARLBOROUGH; Edward Bates, MAPC; Lenny Riley, MEDFORD; Peter Hersey, MELROSE; Bernard Cooper, NORWOOD; Ted McIntire, READING; Rod Granese, REVERE; Joe Attubato, SAUGUS; Thom Donahue, SOMERVILLE; Silvio Baruzzi, SWAMPSCOTT; Richard Stinson, WAKEFIELD; David L. Savoy, WALTHAM; Walter Woods, WELLESLEY; Earl Forman, WESTON; Robert Antico, WILMINGTON.

Also present: John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; James Moran, CANTON; Phillip Warren, HOLBROOK; Ralph Pecora, LEXINGTON; Steve Angelo, SAUGUS; Eileen Simonson, WSCAC; Representative Mark Falzone; Representative Anne Gobi; Representative Ronald Mariano; Representative James M. Murphy; Representative Anne Paulsen; Representative Kathi-Anne Reinstein; Representative Thomas Stanley; Representative Alice Wolf; Sarah Heard, Aide to Representative Smizik; Stuart Loosemore, Aide to Representative Gobi; Jim Eisenberg, Aide to Representative DeLeo; K. D. Mernin, Aide to Representative Donovan; Steve Estes-Smargiassi, Pam Heidell, Lise Marx and Jonathan Yeo, MWRA STAFF; Joe Favalaro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

In the absence of Chairman Katherine Haynes Dunphy, Acting Chairman Edward Sullivan called the meeting to order at 11:47 a.m. and acknowledged the presence of a number of state officials in attendance: Representatives Mariano, Falzone, Wolf, Paulsen, Reinstein, Stanley, Murphy and Donovan; and former Rep. Steve Angelo, who is now Town Manager of Saugus.

B. APPROVAL OF THE MINUTES FROM JANUARY 17, 2002

A Motion was made **TO APPROVE THE MINUTES FROM THE JANUARY 17, 2002 ADVISORY BOARD MEETING**. The Motion was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

Joseph Favaloro, Advisory Board Executive Director, reported that a Public Hearing on the Authority's Proposed FY03 Current Expense Budget (CEB) will be held on March 21, 2002 at 7:00 p.m. at Wellesley Town Hall, 525 Washington Street, Wellesley, MA. A notice has been posted throughout the communities and an ad ran in the *Herald* newspaper today.

On March 12 at 10:00 a.m., the Operations Committee will meet, followed immediately by the System Expansion Committee Meeting at the Advisory Board offices. There will be a drought status update.

In the spring, the MWRA Board of Directors seat currently held by John Carroll is up for election. A quorum of 33 communities is required, as this vote is one vote per community. Mr. Carroll plans to run for reelection; however, any Advisory Board member wishing to be considered should submit a letter of intent and a resume.

The Authority was able to participate in the Early Retirement Program, with some employees on the state retirement system and others on the MWRA retirement system. To date, 100+ individuals are opting for retirement. A reduction in staff could lead to altering of service and could lead to additional reductions within the CEB.

D. PRESENTATION: DROUGHT STATUS FOR WACHUSETT AND QUABBIN RESERVOIRS – Stephen Estes-Smargiassi, Director of Planning

Stephen Estes-Smargiassi, Director of Planning, stated that Planning and Operating Division staff are responsible for tracking not only the condition of MWRA's reservoirs, but all of the use among users. It has been a very dry fall and winter. The reservoirs are currently at 82.3% full. The MWRA tracks its reservoir status with a six stage tracking system: Normal Operation, Below Normal, Drought Warning, and Drought Emergency – Stages 1, 2 and 3. The MWRA is currently at Below Normal status (the second stage) and does not anticipate over the next twelve months that it will move substantially downward.

Quabbin Reservoir levels have been modeled for the next 12 months under varying yield conditions. Under average conditions, the Reservoir will return to normal levels by the end of the 12-month period. If Reservoir yields over the next 12-month period are comparable to the driest 12 months on record, the Reservoir will remain in the Below Normal operating range and will end the year just above the Drought Warning stage.

Water users in the Metropolitan Boston area do not have mandatory restrictions on water use, but MWRA asks that consumers use the water more efficiently. MWRA is urging municipalities to accelerate leak protection efforts and is asking municipalities to speak with large water users and remind them that water will be precious over the next number of months. Every gallon that is not used now is water that will be available later in the summer or next year, either for our own users, or for others in desperate straits. Some partial users have asked MWRA for an increased supply. Other communities that normally don't take much water from us are expected to take additional water in the next couple of months.

There is not an immediate need to have restrictions, but MWRA is urging people to use water as efficiently as possible.

Because of all the demand management methods that MWRA has undertaken, demand has dropped enormously. During the last couple of years, demand has been around 250 million gallons per day (mgd); back in the late 1980s, MWRA was using about 330 mgd.

Joe Attubato asked how MWRA addresses homeowners who have sprinklers for their lawns. Mr. Estes-Smargiassi said in terms of lawn obligations, communities should be aware that they do have some local authority. There are communities that set up a pricing system, which is somewhat more expensive. Wellesley, for instance, has a summer surcharge. On the facilities side, information is available on more water efficient sprinklers systems, which can be made available to any homeowner. A device can be installed on sprinkler systems to not turn sprinklers on when it has been raining. MWRA has brochures on sprinklers and water use that communities can make available in town halls or as bill stuffers.

Dana Snow expressed concern because Marblehead is at the end of the system. Would MWRA still be able to provide water to communities at the end of the system? Mr. Estes-Smargiassi said it is a concern of the MWRA as well. When MWRA gets advance notice that a community may be coming to the Authority some time in the next week to month, the Operations/Engineering staff runs a hydraulic model under various conditions to assess what type of limit or operating restrictions will need to be placed on those emergency users in order not to put existing users at a disadvantage.

A reporter asked Mr. Estes-Smargiassi to elaborate on the reasons that the high demand of 10 to 15 years ago has come down; when towns connect to buy water, how much does the town have to pay and does that offset the cost for members? Mr. Estes-Smargiassi replied that the MWRA system had been using around 340 mgd through the late 1970s and 1980s. During the 1980s, MWRA and MDC had both been looking at expansion of the system. In 1986 the Board of Directors decided to try to look at ways to reduce demand. It was a concerted effort over a multi-year period that included things like leak protection, making sure that every mile of pipe in every community was inspected and that every leak that was found was plugged. Staff worked with communities and made efforts with residential users to install water saving devices in their homes, which reduced residential use and included efforts with industrial customers to use water more efficiently.

Additionally, prices were raised, providing people with incentive beyond the fact that while it is good environmental policy to use water efficiently, it also saves money. All of those things, together with changes in the local and national plumbing codes, have worked together to push demand downward.

Communities that buy water on an emergency basis generally pay the same rate as everyone else, with the exception of Stoughton, which is a separate case because it is a long-term emergency user. That increased demand on the system provides unanticipated revenue that had not been budgeted for, which tends to reduce everyone else's rates slightly, but doesn't represent a significant level of revenue over a 12-month period.

Eileen Simonson stated that the state has just issued a guidance document from the Executive Office of Environmental Affairs on lawn watering and outdoor water uses, which does review what the powers are of the municipalities to enforce the bylaws. Towns that have concern do have the authority to take certain actions.

Mr. Estes-Smargiassi stated that Authority staff has asked municipal officials to put bylaws in place if they do not have one that would allow communities to enforce regulations if the drought were to continue and mandatory restrictions were put in place. The Authority does not anticipate mandatory restrictions in the next twelve months, but communities should be prepared in case this turns out to be a longer drought.

E. **COMMITTEE REPORTS**

Finance Committee - Phil Farrington

❖ **ACTION ITEM: ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA PROPOSED FY03-05 CIP**

Cornelia Potter stated that this meeting marks nearly the end of the sixty-day review period for the CIP. Staff has been reviewing the Authority's proposed capital budget and programs over the next ten years through FY12. A series of 15+ meetings were held with budget and management staff. Following today's meeting, the *Comments and Recommendations Report* will be sent to the printer for submission to the Authority.

Over the next ten years, with \$146 million in contingency fund allowances, the total budget amount is \$1.65 billion in anticipated spending over the next ten years. More than half (\$900 million) will be spent in the next three years. Just over half is for wastewater projects (52%); 47% is for waterworks projects and the rest is for business and support related items. Nearly 30% of all spending in the next ten years is going to be for the CSO control program and nearly half of that in the next three years. The CSO program becomes an increasingly dominant feature of the capital program.

The Authority with each year's budget has increased cost estimates to cover new work, inflation adjustments and increases to projects that are already underway. In just the last two years those increases have totaled over \$200 million. The Authority anticipates awarding a number of new contracts in the next few years; in fact, 75% of all new spending (\$1.1 billion) is not yet awarded. More than half of that amount is to be awarded in the next three years. The largest project in the entire program is the North Dorchester Bay/Reserved Channel CSO Project. The project was \$185 million, a huge complex project; a reassessment is underway and the project and cost impacts could change.

The top four contracts to be awarded over the next decade are the south CSO projects; all four are to be awarded in the next two years. The Authority has defined a series of repair, rehabilitation and replacement needs, as well as potential costs relating to the CSO program, other water treatment requirements and potential new I/I mandates. All of these costs could result in additional dollars and could total anywhere from \$325 to over \$850 million depending on the estimates, cost increases to projects already awarded, and projects that are in the CIP but have not yet been awarded.

Over the years, the Advisory Board has made recommendations for containing capital spending and developing a capital program that is both predictable and sustainable. Because the pressure on water and sewer rate increases comes from increases in debt service to support the capital program, staff has emphasized the importance of tight management of the capital planning budget and has recommended major changes to the CSO program and facilities at Deer Island.

This is the second capital budget that has been prepared under the capital spending cap. The Authority has defined and updated the cap for the ten year period of this budget and has identified a new total of \$1.821 billion, compared to proposed spending that is an adjustment of \$1.7 billion. The Authority reports that it has remained at \$97 million under the proposed multi-year cap.

In the process of reviewing the budget, Advisory Board staff realized that the Authority was able to stay under the cap because it used the new cap allowances for the last two years of the ten-year budget for FY11 and FY12 to give the MWRA room to absorb the cost increases that had been identified. Staff feels that allocating dollars set aside for those out years is defeating the spirit and intent of the cap and is recommending that dollars identified for years beyond 2010 should not be rolled backward into years before that date. Staff has also recommended that the Authority should be reserving the \$126 million for each year after 2010 for that specific year. This means that spending of least \$71 million should be reduced or rescheduled beyond 2010.

Staff has identified a series of specific dollar reductions that can contribute to the \$71 million reduction and reallocation. These recommendations total at least \$14.5 million and address a series of contracts for Deer Island, where project costs can be lowered and project scopes can be reduced. Reductions for wastewater projects total almost \$7.5 million and staff has also identified a series of reductions to several waterworks contracts based on updated information. These reductions total \$7 million.

The second key recommendation is to reconvene the CIP Review Committee in order to review, rework and revamp the capital spending cap. Staff recommends that this group get together beginning in March allowing the Committee to be in place long enough to come out with some initial results that can contribute to the preparation of the next capital budget.

The Authority should be giving priority to the two largest areas of future unawarded capital spending, which are the CSO program and the Deer Island Asset Protection and Optimization Projects. Together these two programs total over \$570 million in future unawarded spending.

A Motion was made **TO APPROVE THE ADVISORY BOARD'S COMMENTS AND RECOMMENDATIONS ON THE MWRA PROPOSED FY03-05 CIP.** It was seconded and passed by unanimous vote.

❖ **PREVIEW: FY03 CEB REVIEW PROCESS**

Ms. Potter stated that staff is already three days into the 60-day CEB review process. Staff plans to update members on the review's progress during regularly scheduled meetings for the Operations Committee, Executive Committee and the full Advisory Board. Additionally, staff will send a series of information mailings, the first of which is going out tomorrow.

In the meantime the Authority is finalizing its proposed budget document and expects to send it to the printer tomorrow with a mailing to the designees by mid to late next week.

The uncertainty on debt service assistance means that staff is going to be reviewing two versions of the budget again. One assumes full funding of the debt service assistance line item of over \$51 million, which translates into a proposed rate increase of 3.5%. The second assumes a lower amount of debt service assistance being made available by \$18.7 million, which results in a proposed rate increase of 8.8%. The Authority's total budget is \$520 million before debt service assistance offsets.

Direct expenses are virtually unchanged at \$183 million. The growth is in capital financing to cover debt service and sharply reduced interest income. The Authority estimates a budget for investment income that is \$11.5 million less than budgeted this year; a measureable decrease.

Executive Committee - Katherine Haynes Dunphy

❖ **DISCUSSION: IMPACTS OF REDUCED DEBT SERVICE ASSISTANCE ON MWRA RATEPAYERS**

Mr. Favaloro stated that the range of 3.5% to 8.8% is the parameter that community assessments indicated. The House will be taking on the budget the first week of May and the Senate toward the end of May. There aren't going to be easy decisions.

Communities need to have a discussion amongst themselves on debt service assistance versus local aid versus chapter 90, etc. Staff needs to know where communities stand so that during discussions with the MWRA Caucus and other members of the House and Senate, staff will be speaking to the best interests of the communities.

❖ **DISCUSSION: FY03 PRELIMINARY COMMUNITY WATER AND SEWER ASSESSMENTS**

Mr. Favaloro noted that MWRA has yet to receive a penny of debt service assistance in FY02 from the Commonwealth; therefore, FY02 may not be off the table for cuts. There could be some further discussion, and the battle lines drawn more aggressively, if there are attempts to reduce debt service in FY02 because we are nine months into the fiscal year. Both the Authority, and more importantly the communities, would have to make up those cuts.

Mr. Woods asked if the Legislature might reduce debt service assistance even lower than the Governor's budget. Mr. Favaloro replied that the MWRA Legislative Caucus is strong and united in its position that it will work to keep debt service at the original amounts; however, nothing is off the table.

John Carroll suggested that the Advisory Board hear from cities and towns so that the Board of Directors has direction in terms of a percent increase by the Authority. Communities plan their budgets very carefully assuming rate increases that include debt service assistance in the \$50 million range with a rate increase of 3.5%. Obviously, if MWRA only gets \$30 million the increase would be up to 8.8%. Communities need to voice their opinions.

Rep. Mariano agreed, stating that a 3.5% rate increase for this year is unrealistic. The Caucus did send a very aggressive letter to the two Chairmen of Ways and Means to restore the Governor's \$20 million reduction. An official communication has not yet been received, but the unofficial communication is "let's hope it is just \$20 million".

Operations Committee - Andy DeSantis

❖ **PREVIEW: CONSUMER CONFIDENCE REPORT (CCR)**

Mr. Estes-Smargiassi stated that MWRA is beginning the process for developing the Annual Water Quality Report, using the same basic approach used in previous years. MWRA staff is assembling all of the information, organizing it, and working with individuals in communities to develop community inserts for the Report. It will then be printed and mailed to every household within the service area in late June as required.

In previous years, the most confusing, contentious item has been the lead results. Previously, staff included in the report every communities' lead results, allowing an individual in one town to question why its lead results were higher than another community. The answer is because of the sampling location; however, it is all the same water. This year, DEP has agreed to allow an MWRA general lead number. Information will be provided in the individual inserts that tell consumers how the few samples did that were collected locally.

In the past, the Lead Education Program required by the Lead and Copper Rule has been a joint responsibility between MWRA, BWSC and communities. Communities were supposed to include a brochure in the bills once a year. In speaking with DEP, the bad news is that seven communities failed to include the brochure and that some of those seven failed to do it two years in a row. MWRA is trying to develop a way to combine the required lead education language with the CCR, ensuring that every community has complied with the legal requirements and the information will get to every single home owner and not just to renters.

❖ **STATUS: SYSTEM EXPANSION**

Mr. Favaloro noted that the System Expansion Committee will meet on March 12 at the Advisory Board offices. The Committee hopes to bring to closure many of the discussion points that have occurred over the past two and one-half months.

On the wastewater side, the Committee has aggressively looked at I/I reductions and how to make it verifiable; made a recommendation to lift the community moratorium on applying to the system; and ratcheted up master planning as an overall component of reviewing an application for system expansion on the wastewater side.

On the water side, discussion has centered on emergency versus standby fees. There has been no consensus yet on whether the Committee should be evaluating different connections

that the MWRA has into its system by non-MWRA communities and whether there should be an assessment for some level of charge or standby fee.

F. QUESTIONS AND COMMENTS

David Savoy offered that a survey sent to the Mayors/City Counsel/Boards of Selectmen seeking the communities' opinions on where they would prefer to take a hit (such as local aid, debt service assistance, etc.) and how high of an increase they could accept. Mr. Favaloro responded that staff needs to reach out as a first step to begin discussions directly with each town/city government. Staff will meet with the town administrators, mayors and finance people within those communities and send some communication to them.

G. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 12:57 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary