

**EXECUTIVE COMMITTEE MEETING
FEBRUARY 22, 2002**

MINUTES APPROVED AT THE MARCH 15, 2002 MEETING

Present: Phil Farrington, ARLINGTON; Guy Carbone, BELMONT; John Sullivan, BOSTON; Ed Sullivan, CANTON; Albert Renzi, FRAMINGHAM; William Hadley, LEXINGTON; Peter Hersey, MELROSE; Jay Fink, NEWTON; Bernard Cooper, NORWOOD; Edward D. McIntire, READING; Walter Woods, WELLESLEY.

Also in attendance: John Carroll, 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 January 11, 2002 Minutes of the Executive Committee

In the absence of Chairwoman Katherine Haynes Dunphy, the meeting, held at the Advisory Board office, was called to order by Acting Chairman Ed Sullivan at 8:35 a.m. A Motion was made **TO APPROVE THE JANUARY 11, 2002 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Status of Debt Service Assistance

Joe Favaloro, Advisory Board Executive Director, stated that the MWRA Legislative Caucus recently met and is working toward keeping debt service assistance at full levels. However, if debt service assistance stays whole, other items, such as local aid, will be cut. Either way, communities don't win. Discussions will continue, with the budget debate expected at the end of May.

MWRA has proposed a wholesale 3.5% rate increase based on direct spending and use of \$13 million in rate state stabilization funds. As the Advisory Board recommends reductions to the Authority's planned spending, it will also offer ideas on how best to incorporate reductions into rate revenue requirements, especially if staff is successful in keeping debt service assistance in the \$50 million range. Staff will begin discussions with the communities to develop and strengthen the coalition for full debt service assistance.

Joe Foti stated that he told the City Treasurer of Somerville that MWRA and the Advisory Board would try to go after full debt service assistance. The Treasurer asked if the MWRA had another way to keep rates at a minimum because, speaking as a resident, other initiatives will be cut if MWRA is fully funded.

III. Action Item: Advisory Board Comments and Recommendations to the Authority's Proposed FY03-05 CIP

Cornelia Potter stated that MWRA has proposed a Capital Improvement Program (CIP) for the 10-year period FY03-FY12 of \$1.66 billion. More than half that amount, \$900 million, is proposed to be spent in the next three years. Just over half of all spending in the next ten years is for wastewater projects, with 47% proposed for waterworks capital projects.

The CSO Control Program accounts for nearly 30% of the entire ten-year capital program. Nearly half of all future CSO spending is for the North Dorchester Bay/Reserved Channel project.

The total cost figure update reflects increases of nearly \$100 million; including \$30.5 million for new work, \$29.4 million for inflation adjustments; \$25 million for increases to the East Boston Branch Sewer Relief CSO project; and \$14 million in adjustments to ongoing projects. Increases to the final FY02 CIP of \$91 million bring CIP increases to \$200 million in just the last two years.

The Authority has \$1.1 billion in contracts to be awarded in the next several years, providing opportunities to rethink projects. The largest project is the North Dorchester Bay/Reserved Channel budgeted at \$185 million, which is under reassessment and could be changed.

What is not in the capital program budget? The MWRA has identified rehabilitation and replacement needs of \$10 to \$17 million annually over several years and interceptor renewal costs at an estimated \$16.5 million per year for 25 years or more. Items not specified in the proposed budget include: North Dorchester Bay project changes; Cambridge sewer separation; additional floatables controls; additional filtration or other treatment requirements for the Walnut Hill Water Treatment Plant; the potential for new I/I mandates; and updates to the MIS and technical assistance line items. Also identified, but not yet budgeted, is additional work to rehabilitate or replace the West Roxbury Tunnel.

This is the second year the capital budget has been prepared under the provisions of the capital budget cap. The Authority has proposed a revised spending cap for the ten-year period FY03-12 of \$1.8 billion including inflation allowances and \$66 million estimated to be unspent during FY02.

The Authority remains \$97 million below the proposed cap based on the addition in the last two years of the \$100 million per year plus inflation, for a total of \$252 million. The cap for the original ten-year period, FY01-10, was \$2,307 million. Actual and projected spending for that same period is now \$2,458 million, or \$151 million over the cap. The Advisory Board feels that the Authority should be reserving the \$126 million for each year after FY10 for that specific year. In effect, the Authority is staying within the cap because it is borrowing from the future. There will be future costs that MWRA needs to preserve these funds for. The Advisory Board recommends that the MWRA reduce and reschedule at least \$71 million worth of spending for FY03 to 10 and bring back the CIP review committee, which includes MWRA and Advisory Board staffs and members of the Board of Directors to rethink, review and revamp the capital spending cap.

John Carroll suggested that the Advisory Board tell the Authority that it cannot use future monies in the present.

Andy Pappastergion stated that the language of the cap allows rollover into future years, but does not allow the MWRA to take anticipated savings from the future. The Advisory Board must be definitive in telling the Authority that it must adhere to the language of the cap. Mr. Favaloro stated that the entire debate will center on the interpretation of the cap.

Mr. Fink suggested that the stronger language be added to the recommendations, such as the Advisory Board is opposed to borrowing from FY11 and 12.

Mr. Favaloro noted that the Authority would argue that what it is doing is in full understanding of the “rolling” cap.

Mr. Pappastergion stated that revised language for the cap can be taken to the Board of Directors if necessary.

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

IV. Preview: Advisory Board CEB Review Process

Ms. Potter stated that February 26th starts the Advisory Board’s 60-day Current Expense Budget (CEB) review process. Staff has begun scheduling meetings with Authority staff, and will also use regularly scheduled Advisory Board meetings to address review topics. Information memos will be sent out on Fridays for the next five to six weeks. Direct expense spending is leveling off; however, staff will still be detailed in its review of direct spending. The predominant pressure on the budget is from debt service.

V. Update: System Expansion

The System Expansion Committee has encountered some roadblocks on the wastewater side, but hopes to have a consensus on limitations on the moratorium and strengthened language for I/I reductions for the March 12 meeting.

The Committee has also encountered obstacles on the water side and has asked for legal interpretations relative to standby fees to be assessed to communities that have access to the MWRA system.

Walter Woods stated that standby fees are not a new concept. Wellesley signed an agreement and had to pay \$20,000 a year standby fee during the 1970s.

Mr. Fink suggested a minimum charge for each connection that entitles that community to ‘X’ gallons of water. Mr. Favaloro responded that the issue is that some connections may never be activated. However, as long as there is a connection, the community has an insurance policy. If Reading doesn’t move forward on its application, it has a ready to use connection just in case. There is a value to it that ratepayers deserve to benefit from.

Mr. Woods stated that if towns have not paid the entrance fee, they should be paying something toward it.

Mr. Fink noted that when a pipe is installed, the MWRA does modeling and when the pipe is turned on, there are probably operational costs. There is some expense to the MWRA. Ongoing costs should be recouped.

Ted McIntire stated that Reading has a hard connection to the MWRA, but doesn't have the right to use it. A standby fee asserts that you have the right to use it. If Reading is accepted as a member of the MWRA, it will pay the entire entrance fee. Mr. Favaloro noted that Reading could use the connection with an emergency declaration.

John Sullivan asked what impact a long-term drought would have on MWRA. The more communities allowed in, the more reliant all the communities become.

Ryan Ferrara stated that Andrew DeSantis had asked the Authority if assisting one community might take water away from another. MWRA stated that the model indicated that the impacts of dedicating additional water to non-member communities was relatively small.

Ed Sullivan asked how the Quabbin Reservoir is doing with the drought. Mr. Ferrara stated that the Authority has reached below normal operating range and, currently, the Quabbin Reservoir is approximately 82% full. MWRA is an active participant in the statewide Drought Management Task Force.

Mr. Favaloro stated that water demand might be higher for FY03 if the trend for water use continues because there may be more communities requesting water from the MWRA. This should result in additional revenue.

Walter Woods noted that Wellesley increases rates in the summer to reduce water use.

Mr. Favaloro stated that the principle presentation at the February 28, 2002 Advisory Board meeting will be on the drought.

VI. Approval of the Advisory Board Agenda for February 28, 2002

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE FEBRUARY 28, 2002 MEETING**. It was seconded and passed by unanimous vote.

VII. Questions/Comments

VIII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:40 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary