

**EXECUTIVE COMMITTEE MEETING
MAY 10, 2002**

MINUTES APPROVED AT THE JUNE 14, 2002 MEETING

Present: Phil Farrington, ARLINGTON; Guy Carbone, BELMONT; John Sullivan, BOSTON; Ed Sullivan, CANTON; Al Renzi, FRAMINGHAM; Peter Hersey, MELROSE; Katherine Haynes Dunphy, MILTON; Stanley Stanzin, NEEDHAM; Ted McIntire, READING; Walter Woods, WELLESLEY.

Also in attendance: Joseph Favaloro, Cornelia Potter, Ryan Ferrara, Nathalie Grady and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

The meeting, held at the Advisory Board office, was called to order by Chairman Katherine Haynes Dunphy at 8:39 a.m.

I. Action Item: Application by Stoughton to Join the MWRA Water System

The Town of Stoughton has submitted an application to join the MWRA Water System and is currently on a tight timeline to try to receive approval to move forward on construction and secure a 0% SRF loan.

The MWRA entrance fee is \$5.6 million for which Stoughton chose to make annual payments of \$400,000 over 20 years, with interest. Under the new system expansion guidelines all new contract users will have enforceable limits.

John Sullivan asked if interest rates are determined by MWRA staff and whether staff is under an obligation to recover the interest. Ryan Ferrara responded that the interest rate is equivalent to the average cost of MWRA debt at the time of approval by the MWRA Board of Directors.

A Motion was made **TO APPROVE THE APPLICATION OF THE TOWN OF STOUGHTON TO JOIN THE MWRA WATER SYSTEM, SUBJECT TO THE FOLLOWING CONDITIONS:**

- 1) STOUGHTON MUST CONTINUE TO PROTECT AND MAINTAIN ALL LOCAL SOURCES OF SUPPLY.**
- 2) STOUGHTON WILL CONTINUE TO MAINTAIN ALL REASONABLE CONSERVATION MEASURES, ABIDE BY ALL APPLICABLE CONDITIONS AS STIPULATED WITHIN THE WATER RESOURCES COMMISSION APPROVAL AND ADOPT MWRA REGULATIONS FOR LEAK DETECTION.**
- 3) THAT PAYMENT OF AN ENTRANCE FEE BE MADE TO THE MWRA IN THE AMOUNT OF \$5.65 MILLION TO BE PAID OVER 20 YEARS AT AN INTEREST RATE TO BE SET BY THE AVERAGE COST OF MWRA BORROWING.**
- 4) THAT ANNUAL USAGE BE CAPPED AT 1.15 MILLION GALLONS PER DAY, OR 419.75 MILLION GALLONS ANNUALLY.**
- 5) THAT STOUGHTON AND THE MWRA DEVELOP AN ENFORCEABLE WATER SUPPLY**

AGREEMENT STIPULATING APPROPRIATE TERMS AND CONDITIONS OF SERVICE. It was seconded and passed by unanimous vote.

II. Action Item: Advisory Board Comments and Recommendations on the MWRA's Proposed FY03 Current Expense Budget

Cornelia Potter stated that staff's review started with two scenarios, one for 3.5%, assuming full funding of state debt service assistance, and the other with a \$20 million reduction in state funding, resulting in an 8.8% increase.

With the House Budget reduction of \$4.4 million from debt service assistance, staff has returned to the 3.5% alternative. This reduction (equivalent to a 1.15% rate requirement) brings the MWRA's proposed budget to an increase in the 4.65% range; the Advisory Board's recommendations would reduce the budget to a 2.5% increase for FY03.

The Advisory Board's recommended reduction totals \$8,293,813, with \$5,132,243 coming from *Wages and Salaries*. It is estimated that 75 to 80 additional employees will participate in the Early Retirement Program. Even though the Authority has the right to hire up to 20% of the value of the employees who retire, staff has recommended that MWRA not fill all the positions in order to meet staffing goals set by the Black and Veatch Report over the next couple of years. The recommendation is to hold 15 positions open to meet functional area goals and consolidate functions.

Staff also recommends that MWRA hold pay increases for non-union employees for a value of \$147,500 and that there be reductions to the Intern budget (including no expansion of the Summer Intern Program) for a value of \$227,970.

Overtime should be reduced by \$245,000 through reductions in Deer Island, Field Operations Department and Engineering and Construction. Due to fewer employees, *Fringe Benefits* should be reduced by at least \$240,000.

Less costly *Chemicals* should be used for a reduction of \$122,181. Mr. Favaloro noted that MWRA has included \$300,000 in the FY03 budget for upping the pH and alkalinity in the water because of lead and copper. In reading the court report, it said that the Authority doesn't believe this will do any good at all, but will do it to keep the Department of Environmental Protection (DEP) happy. The answer shouldn't be keeping DEP happy. Why are we wasting \$300,000?

Utilities can be reduced by \$225,000 for Deer Island electricity by reducing use of electricity at Deer Island.

Harbor and Outfall monitoring (under *Professional Services*) continues to grow. Advisory Board recommendations include a reduction of \$150,000 to tighten the scope and seek future modifications for further reductions. Staff continues to speak with MWRA on how to define an acceptable research program and to consider bringing some of the work in-house. MWRA has the most extensive monitoring program of its kind in the world.

With so many participants in the Early Retirement Program, *Training and Meeting* costs can be reduced because of fewer employees, as can *Other Materials* for fewer work clothes and

vehicle expenses. *Other Services* can be revised downward as printing and duplicating will be less for training manuals and forms, etc.

Also under *Other Materials*, staff has recommended a reduction of \$222,000 for Deer Island vehicles; the reassignment of vehicles; a reduction of vehicles that have domicile use; an agency-wide consolidation of vehicles; and a reduction in fleet size.

Staff recommends that the Authority sub-lease a floor in Building 34 and also identified \$229,000 relating to Stoughton's water surcharge and Cambridge residuals that were not accounted for.

Ms. Potter noted that the Authority picked a greater number (\$13.3 million) in rate stabilization funds than in the past. The Advisory Board recommended no further use of the rate stabilization account.

Phil Farrington requested the elimination of no increases in non-union salaries. The \$147,500 is a round off in terms of the total budget and sends the wrong message that a certain group of people doesn't deserve a pay raise simply because they don't have a union. Ms. Dunphy expressed concern that everyone will want to be in a union.

Mr. Favaloro stated that some communities are freezing what they can freeze and, unfortunately, it is non-union salary adjustments. This recommendation was put together originally when MWRA was looking at a significant cut in debt service assistance, but when staff goes back to the communities whom it represents, many of them are still looking at massive cuts, layoffs and reductions. Is \$147,000 going to make a big difference: no, but it sends a message.

Mr. Woods stated that non-union employees should not be penalized and should receive the same benefits.

Al Renzi said Framingham considered freezing non-union salaries, but one gentleman stood up at a public meeting and said, "we are not going to solve our budget crisis on the backs of our employees". There are other places that cuts can be made. The amount of money saved would not accomplish a whole lot other than to upset the people.

Guy Carbone asked if the Affirmative Action department is union or non-union. Mr. Favaloro responded that all but the Director of Affirmative Action is union. The Affirmative Action department is not under the MWRA itself. As written in the Enabling Act, this department reports directly to the Chairman of the MWRA Board of Directors, but is funded through the MWRA budget.

John Sullivan expressed concern regarding reductions for MWRA's aging fleet of vehicles. As MWRA continues to age the fleet, a year will be coming up that everything is broken down, requiring the Authority to purchase many new vehicles that will age at the same time. Let employees drive around in old looking cars, as long as they are running, but replace the vehicles when necessary. Mr. Favaloro agreed but stated, in light of the Chelsea consolidation, how many vehicles are really needed?

Mr. Stanzin inquired whether in a good year, when MWRA rates can be down around 2.5%, would it be better to be at 3.5% and put more money in a rate stabilization fund for future needs? Ms. Potter stated that there would be future opportunities to build the rate stabilization fund, such as from restructuring capital finance, reducing new borrowings or reflecting more up-to-date direct expense spending. MWRA is limited on its withdrawal from the rate stabilization fund to 10% of senior debt. The rest of the money is in a Bond Escrow Account, which can't be used unless there is a specific transaction or maturity that fits specific requirements.

A Motion was made **TO APPROVE THE ADVISORY BOARD'S COMMENTS AND RECOMMENDATIONS ON THE MWRA'S PROPOSED FY03 CURRENT EXPENSE BUDGET WITH THE FOLLOWING REVISED WORDING: WITH THE SHARP CUTBACKS ANTICIPATED IN LOCAL AID TO CITIES AND TOWNS, MANY COMMUNITIES ARE PLANNING TO REDUCE OR FREEZE SALARY INCREASES FOR NON-UNION EMPLOYEES. REVISIT FUNDING FOR NON-UNION SALARY INCREASES; CONSIDER REDUCTION OF UP TO \$147,000.** It was seconded and passed by unanimous vote.

III. Status: CIP Recommendations

Ms. Potter stated that staff's review has demonstrated how over the last two years the Authority has been shifting dollars that had originally been included in the cap for the out years of the ten-year program into the mid years of the capital program. A key part of staff's recommendations is for the Authority to reserve the out-year funding for future projects and, therefore, reduce at least \$70 million from its planned spending; in other words, stay within the spirit of the cap.

Earlier this week in meetings with Authority staff, MWRA held firm that because it is within the letter of the cap, it is not obligated to modify the budget. The Advisory Board continues to hold the position that MWRA shouldn't be borrowing from 2009-2012 in order to allow growth in the budget in the mid years of the decade. Each year MWRA is allowed \$100 million plus an inflation assumption of approximately \$26 million. MWRA is taking that money for 2012 and using it to accommodate growth in the budget in the mid years.

Mr. Favaloro stated that MWRA believes that it is under the cap. In reality, by zeroing out FY11 and FY12 to negative balances, it has in fact overspent the cap. If the Authority continues to borrow from the future to deal with the present, it eventually will impact ratepayers.

Both the Capital Improvement Program and Current Expense Budgets will be discussed at the Board of Directors meeting on May 22.

IV. Legislative Update

Mr. Favaloro reported that the House budget restored most of the debt service assistance, going from \$38 million to over \$55 million. If the number holds through the Senate, the FY03 state budget will be \$55.5 million for debt service assistance.

The House budget further decimated the MDC Watershed Division (DWM), with many amendments up for debate to reduce the MDC budget even further. The \$8 million budget for DWM is problematic. The Budget did not include the money for Clinton. The MWRA and

Advisory Board staffs must work together to have the DWM brought under the control of the MWRA.

Mr. Stanzin asked what the FY02 DWM Budget was. Mr. Favaloro stated that the operating costs were \$9.7 million, not including PILOT payments.

V. System Expansion Update

Mr. Favaloro reported that the System Expansion Committee has made progress toward a final draft version of the System Expansion Policy on the wastewater side. Recommendations include language that lifts the moratorium on new communities in the wastewater system; language that requires a 4:1 verifiable reduction of inflow and develops mechanisms for escrow accounts of paying up front; and community master planning on the water and wastewater sides.

Mr. Woods noted that the System Expansion Committee adopted John Sullivan's recommendation to have a 4:1 inflow reduction, rather than infiltration. There has been no discussion on how to implement it. Will it be gutter pipe inflow or sump pump inflow and what is the quantity? John Sullivan noted that if a house has 2,500 square feet of roof area, a calculation can be done on the certain year storm, how much water falls there and directly goes in. By taking all of those downspouts out of the system, you know you have removed it.

John Sullivan asked if anyone has ever figured what the average use of a single-family house has been. Mr. Favaloro stated that the Authority has done some studies and has a number, but is not entirely comfortable with it yet. Advisory Board staff is spending more time with the *Water and Sewer Retail Rate Survey* to show the data in a couple of different ways. Mr. Ferrara stated that the number is probably closer to 75,000 gallons. The Rates Survey will be using the figure of 90,000 gallons.

On the water side, more discussion is needed. Standby fees are not going to be part of the policy. Thus far, the Committee determined that all emergency users will be viewed as a totally different entity and pay a premium of 107% of the prevailing rate. If the emergency user comes back a second time, it will be required to pay one-third of the asset value. The third year, the emergency user will pay two-thirds of the asset value and so on.

VI. Next Steps: DEP Proposed Change for MWRA's Role in Community Collection Systems

Mr. Favaloro stated that Mike Hornbrook of MWRA and Madelyn Morris of DEP had a mini debate last month on expansion of the MWRA community systems. DEP has requested that the Inflow and Infiltration (I/I) Task Force be reconvened. How does the Executive Committee want to respond?

John Sullivan suggested reconvening the Task Force to make a recommendation and bring DEP in to talk about its role. Ask DEP what it is going to do about what the Task Force recommended. MWRA should not be a regulator.

VII. Approval of the Advisory Board Agenda for May 16, 2002

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE MAY 16, 2002 MEETING**. It was seconded and passed by unanimous vote.

VIII. Questions/Comments

Ms. Dunphy noted that Andrew DeSantis has resigned his position as Chairman of the Operations Committee. Jay Fink has agreed to chair the Operations Committee.

Mr. Favaloro noted that the Operations Committee meetings had been alternated between the cities of Newton and Chelsea. For this fiscal year, staff is considering holding the Operations meetings at the Advisory Board office. The MWRA Chelsea facility is being considered for Operations Committee meetings for the next fiscal year. If people prefer, the meetings could be held in Quincy.

IX. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:25 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary