

**MWRA ADVISORY BOARD MEETING
MAY 15, 2003
MASSACHUSETTS STATE HOUSE
ROOM 350, BOSTON, MA**

MINUTES APPROVED AT THE JUNE 19, 2003 MEETING

Twenty-four members were present: John Sanchez, ARLINGTON; John Sullivan, BOSTON; Charles Barry, BROOKLINE; Ed Sullivan, CANTON; Andrew DeSantis, CHELSEA; J. R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; Bill Hadley, LEXINGTON; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Gabriel Federico, MEDFORD; Katherine Haynes Dunphy, MILTON; Bernard Cooper, NORWOOD; Jay Fink, QUINCY; Ted McIntire, READING; Carol Antonelli, SOMERVILLE; Silvio Baruzzi, SWAMPSCOTT; Richard Stinson, WAKEFIELD; Don McCabe, Jr., WALTHAM; Walter Woods, WELLESLEY; Earl Forman, WESTON; Al Renzi, WESTWOOD; Michael Woods, WILMINGTON; Elizabeth Cregger, WINCHESTER.

Also present: John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; James Moran, CANTON; Ralph Pecora, LEXINGTON; K. D. Mernin, Aide to Representative Carol Donovan; Catherine Lynch, Aide to Representative Rogers; Fred Laskey, Michael Hornbrook, Ria Convery, Pamela Heidell, Stephen Estes Smargiassi and John Gregoire, MWRA STAFF; Joe Favaloro, Ryan Ferrara, Cornelia Potter, Nathalie Dailida and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:59 a.m.

B. PRESENTATION: THE VITAL ROLE OF WATERSHED PROTECTION IN THE AVOIDANCE OF A \$250 MILLION WATER FILTRATION PLANT – Michael Hornbrook, MWRA Chief Operating Officer

Michael Hornbrook, MWRA Chief Operating Officer, stated that the Authority serves 47 communities with clean, safe drinking water, delivering 230 to 250 million gallons a day, via the water system that extends through central Massachusetts from Boston as far as Chicopee and in between.

The source for MWRA's drinking water are the Reservoirs, the Quabbin, which has the capacity to store over 400 billion gallons of water and the Wachusett, with the capacity for over 65 billion gallons. The water is clean due to watersheds around the Reservoirs.

There are three watersheds that surround the MWRA water supply system: the Quabbin, Ware River and Wachusett Watersheds. The Quabbin, the largest of the Reservoirs, has a watershed area of 186 square miles. When the Quabbin was originally constructed, there was acquisition

of surrounding land around the Reservoir. Since 1985, the MDC has acquired, through MWRA ratepayer funds, approximately 2,000 acres in the watershed for \$4.6 million. A large percentage of the Quabbin Reservoir is protected.

Since 1985, the Authority has acquired approximately 4,000 acres around the Ware River Watershed at a cost of \$13.77 million. This is important because the Authority diverts water from the Ware River to the Quabbin when the levels of the Quabbin are below normal and flow in the Ware River is at a sufficient level. The Ware Watershed is 89 square miles; however, land acquisition has been progressing rapidly.

The Wachusett Watershed has been the highest priority for land acquisition and protection for two reasons: it was originally the watershed that had the least amount of land owned and it is the last watershed prior to going to member communities for service. Since 1985 MWRA has spent almost \$100 million in land acquisition for protective rights for the Wachusett Watershed. Lands are owned and controlled by the MDC, MWRA or by other state agencies, such as the Department of Environmental Management. This has been the highest priority in watershed protection.

The Watershed Protection Plan protects and preserves clean water at the source. It is better to ensure that contaminants do not get into the water supply system rather than to take them out and enables MWRA to use natural treatment capabilities of the watershed. As the water runs off the watershed into the receiving water, it is important that the Division of Watershed Management (DWM) have adequate forest management and adequate sanitary controls to ensure what happens on land doesn't get into the water. The Plan improves the performance of MWRA's current treatment process by keeping the watersheds protected and is vital in eliminating the need for further treatment for the MWRA at considerable cost to its customers.

From 1896 through 1908, the MDC began acquiring land around the watersheds and began forest management, the beginning of modern watershed protection to protect the drinking water source. From 1936 to 1940, 107,000 acres were acquired, which is basically to support the construction of the Quabbin and Ware River Watersheds.

In 1985, with the creation of the MWRA, some of the responsibilities of the water supply system were split. Originally, the MDC owned and operated the watersheds, the reservoirs and the transmission lines into the Boston area and the distribution system. With the formation of the MWRA, those responsibilities were split with watershed management remaining at the MDC (forming the Division of Watershed Management) and other responsibilities going to the MWRA.

From 1991 to present, MWRA and MDC developed and implemented watershed protection plans for all three watersheds, approved by DEP, which directly led to staffing increases at DWM. Protection of the watersheds is vital in avoiding filtration for unfiltered communities. The Watershed Protection Plan defines watershed boundaries, features and potential threats to the drinking water supply and plans are developed to mitigate those threats.

Watershed protection is a key component of the Integrated Water Supply Improvement Program and is the first line of defense for drinking water. It is much easier and more effective to keep contaminants out rather than allow it in. The integrated water system also includes covered storage, treatment improvements of the ozonation plant, improvements to distribution mains

within the community system and the Watershed Protection Plan.

Watershed management has allowed MWRA to see dramatic improvements in water quality. An example is the bird harassment program; once it was instituted, there were dramatic improvements in bacteria counts in water quality at the source. MWRA's filtration avoidance determination was based upon the high quality of its drinking water, which was achieved to a very large extent by the Watershed Protection Program.

What happens on land directly impacts what happens in the water. If there is improper forest management, if there is excessive erosion, turbidity in the water quality increases causing problems from a regulatory aspect and also affects MWRA's ability to disinfect. These water quality issues affect MWRA's filtration waiver. When the Authority presented its case in federal court on the filtration issue, the Judge's ruling stated that the Wachusett Watershed Protection Plan, as conceived and implemented, has been effective in maintaining the integrity of the watershed as a barrier against contamination of the Wachusett Reservoir and the watershed protection plans were a critical and necessary component for MWRA's avoidance of filtration.

Within that court case, the Authority promised to move forward with a Watershed Protection Plan, including the implementation of a gull harassment program. Gulls nesting at the Reservoirs were increasing bacteria levels in the drinking water. Further, MWRA promised to move forward with sewerage within the Wachusett Watershed to keep contamination away. Farms located within all the watersheds were targeted for land acquisition when they became available and for control of agricultural run off into the receiving portions of the streams and to regulate public access. The Authority does not want to prohibit public access, but rather regulate public access to ensure that water quality is not impacted.

MWRA promised that there would be adequate budget and staffing in the watershed program to ensure that the goals are reached. Continuous water quality monitoring and sanitary surveys provide a clear measurement of how effective the plan is.

DWM continues to play a vital role in watershed protection. MWRA and MDC have worked well together to date in implementing the Watershed Protection Plans. Why is the Authority now discussing the merger of the DWM with the MWRA? What is driving MWRA's concerns and issues? The MWRA currently pays every cent of every dollar of the DWM budget. DWM performs the services and the Authority, by statute, pays for those costs. The Authority does not have a strict accountability with DWM on how that money is spent; MWRA is given breakdowns of some of the costs, but is not provided with detailed explanations. MWRA does not have an adequate say in the priority setting in DWM's budgetary process.

Staffing levels at DWM have decreased significantly, which causes the Authority to question whether DWM has the ability to perform the vital tasks it needs to perform to ensure that the Watershed Protection Plans are achieved. For example, does DWM have adequate staffing to do the bird harassment program, the sanitary surveys, and what is necessary to protect the watershed? The MWRA has a vested interest in making sure that the Watershed Protection Plans are implemented. DWM also has restrictions placed on it by the state. If there are limitations on overtime, DWM may not be available to do vital tasks.

Capital improvements are not being done and MWRA is concerned, in light of September 11,

that more emergency planning is required.

Staffing at DWM has steadily declined from 170 in FY00 to 133 currently, which is a dramatic loss in its capability to do its job. The DWM budget has decreased significantly as well, causing concern about its ability to perform the functions required for MWRA to avoid filtration.

Fecal coliform concentrations have dropped significantly under the bird harassment program. There were a couple of periods of time where the fecal coliform levels jumped up, related to times when staff was not available for bird harassment. This past summer, fecal coliform levels came very close to the 10% limit because of DWM staffing limitations.

Various legislation is being proposed to address the structural issues with the MDC/MWRA partnership. The Advisory Board has made numerous presentations in support of a transfer of the DWM to the MWRA; for the first time the MWRA Board of Directors voted to support this legislation. Under other legislation submitted it has been proposed that DWM be transferred to other state agencies, the latest being the Department of Conservation and Recreation. MWRA has the single line of responsibility and would have adequate budget control and priority setting on what is being done or not. If watershed protection is not achieved, there is a threat to water quality and public health and the Authority would risk being directed to construct a \$200+ million filtration plant. Additional operations and maintenance costs estimated to run a filtration plant are \$4 million per year.

Jay Fink asked what capital improvements are not being done. Mr. Hornbrook stated that more guardrails should be installed, particularly around the Wachusett Reservoir, so that trucks cannot get into the water supply system. There were situations last year where MWRA had to provide money to do milfoil removal within the Wachusett Reservoir, which is basic watershed protection that DWM did not have the capacity to respond to.

Eileen Simonson of the Water Supply Citizens Advisory Committee (WSCAC) stated that watershed communities still depend on MDC to provide technical assistance to deal with development, parking lots, drainage, run off, etc. Because of state freezes or the overtime issues, MDC staff are prohibited from going to evening meetings. MWRA has always provided more flexibility to its staff and provides technical assistance for its member communities. Watershed towns aren't getting the results they are supposed to see and it contributes to negative feelings. Ms. Simonson stated, "this is the first time I have heard positive feelings about the potential to transfer DWM to MWRA so long as MWRA commits to access and responsible recreation that has been provided. It is important for all of us to think about and it is one of those rare occasions where we should come together on an issue."

Mr. Favaloro stated that the principle change in transferring DWM to Recreation and Agriculture or Conservation and Agriculture is a name change; all the players remain the same. As long as there are reductions on the state side, it will impact the DWM.

Ed Sullivan asked what the difference would be between ozonation and filtration in terms of the amount of impurities reduced. Steve Estes-Smargiassi stated that ozonation has a reduction of 99% of the impurities. With filtration there would be slightly less than a 1% additional reduction (99% to 99.99%), at twice the cost. Mr. Hornbrook stated that there is established criteria for avoidance of filtration and if that criteria (much of it based on adequate watershed protection) is

not met, you are automatically folded into filtration. MWRA's fate is not in its own hands right now because those functions are being performed by a different agency. If the criteria are tripped, MWRA will be into the filtration issue.

Ms. Potter asked if MDC also had to make promises following the court deliberations on the avoidance of filtration. Ms. Simonson stated that MDC was peripheral in the court case. If MDC DWM's program fails, MWRA buys a filter plant. Mr. Hornbrook stated that the consequences of the failure are MWRA's alone, but as far as implementation, MDC is committed to do certain things through the court case.

Ms. Simonson stated that it is hard, politically, for the current Administration to make the MWRA bigger. MWRA has shown that an Authority can be an incredible thing, with the Deer Island Wastewater Treatment Plant and other construction. People are concerned about two key Senators, Brewer and Rosenberg, who are the Senators for the watershed. Senator Brewer is cautious that if this transfer takes place, it has to be done right. He has been complementary of the legislation, but has not fully heard from his constituency, many of whom are people who fish and hunt and want more recreation. WSCAC has always fought him on too much recreation because that would defeat the purposes of the program. There is still an education process.

Mr. Favaloro noted that the state is looking at an additional 3,000 to 5,000 layoffs. To mitigate some of that impact, the Commonwealth is considering an early retirement incentive. Chances are that in early FY04, DWM staff will be further reduced. Mr. Hornbrook also noted that because MDC is under the state program, it will have limitations for backfills and can only replace a small percentage of the people it loses. If there is a state restriction on overtime, then the DWM is also placed under that limitation even though MWRA pays 100% of their funds.

Mr. Hornbrook stated that DWM's people in the field are doing a great job with the resources that they have, but they are not getting the resources they need. There were a couple of instances last year where MWRA had to step in and it will continue to oversee that if there is something vital not getting done.

Bernie Cooper asked if the Secretary of Environmental Affairs has had any input. Mr. Favaloro stated that the Secretary wears a series of hats, one as head of DEM and, as part of her environmental responsibilities, as Chairman of the Board of Directors of the MWRA. The Secretary is a firm believer that whatever is broken can be fixed through a Memorandum of Agreement or Understanding with the Authority. She is actively making that case at the Legislature as well. However, as long as these responsibilities remain in the state budget, they will have the same limitations as every other department within the state.

Ms. Simonson stated that people have to understand that if it moves to DEM, which is five times bigger than the DWM, it will be under one of the few retained Commissioners in this administration, Peter Weber. His concept of recreation is very different than what happens in your watersheds and his idea of forestry is also very different. The watershed's will be subjected to a very different philosophy and they are moving a much smaller portion of an agency that covers, owns and manages a lot of the rural lands in the state. If it gets in with DEM, you will be looking at the two largest land holding agencies in the state together, one of which is your watershed, and is a very small component of the management.

C. COMMITTEE REPORTS

Finance Committee – Albert Renzi, Jr.

❖ ACTION ITEM: ADVISORY BOARD FY04 OPERATING BUDGET

Mr. Favalaro stated that the Advisory Board's Operating Budget request for FY04 calls for a 3.1% reduction. As the state plans to increase employee health insurance contributions to 20%, Mr. Favalaro noted that the Advisory Board staff has always paid 25%.

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD'S FY04 OPERATING BUDGET**. It was seconded and passed by unanimous vote.

❖ ACTION ITEM: ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY04 CURRENT EXPENSE BUDGET

Cornelia Potter stated that the Authority proposes an FY04 budget of \$513.5 million, with non-rate revenue and income plus debt service offsets of \$77 million, for a proposed rate revenue requirement of \$435.8 million, a 3.9% (\$16 million) increase from the Amended FY03 Budget.

The Authority's proposed budget for FY04 and its planning projections for the decade ahead assume no restoration of debt service assistance. The Authority has also assumed in its projections that all remaining rate stabilization funds will be utilized between now and FY07. After next year's proposed rate increase of 3.9%, rate increases for FY05 through FY07 are expected to be in the 6% range, with a double-digit increase of 11% expected for FY08.

The Advisory Board's strategy is to substitute any reductions to spending or increases in non-rate revenue to lowering the use of the rate stabilization funds for next year and reserving those funds for future years. The Authority proposed using \$33 million of rate stabilization monies. It has committed \$20+ million in the Bond Escrow Account and another \$12.57 million is to come from the rate stabilization fund. Advisory Board staff believes that recommended cuts could eliminate the use of rate stabilization for all of the \$12.57 million.

Staff reduced direct expenses by \$3.17 million, reduced indirect expenses by \$75,000, identified additional non-rate revenue totaling \$1.5 million and reduced capital financing by \$440,000. Staff also recommends that MWRA meet all functional area goals identified by the Black and Veatch study, implementation of another Early Retirement Program and no cost of living increases.

Adjustments should be made to health insurance to coincide with the state's adoption of a 20% premium being assessed for state employees' health insurance; employees hired after January 1, 2004 will be responsible for 25%.

Variable rate debt has been budgeted at 4% in recent years. For the last two years, variable rate has been below 3% and recently went below 1.5%. The Authority noted that every 1% below the 4% creates a variance of \$7 million. The current rate of 1.5% would be 2½% below the budgeted amount and could result in a surplus of \$16 to \$17 million. Advisory Board staff is concerned that the Authority might face that kind of variance next year when it should be demonstrating the need for continuing debt service assistance. Staff believes it is appropriate and supportable to reduce variable rate interest by 1% (\$7.3 million). Further, staff recommends a \$75,000 reduction for current revenue.

In sum, these recommendations substitute for the use of \$12.57 million in rate stabilization funds, which can be reserved for future increases. Staff also recommends that the 3.9% increase remain unchanged, only being reduced by monies the state may grant through debt service assistance.

A Motion was made **TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS TO THE MWRA'S PROPOSED FY04 CURRENT EXPENSE BUDGET**. It was seconded and passed by unanimous vote.

❖ **UPDATE: STATUS OF CIP CAP**

Mr. Favaloro stated that after a lot of discussion, a new concept was introduced and approved by the Board of Directors, meeting as The Committee of the Whole, calling for a five-year cap. It was not a highlight of where the Advisory Board wanted the cap to go.

The five-year cap incorporates all of the dollars that MWRA had moved forward from FY11-13 and allows some discretion of 20% up or down within any given year, but does not affect the overall five-year cap. Staff is concerned that is MWRA couldn't live within a ten-year cap (from the Advisory Board interpretation, MWRA overspent it in three years), what's going to make MWRA live within a five-year cap? Staff will continue to keep the pressure on for a hard cap.

Executive Committee – Katherine Haynes Dunphy

❖ **STATUS: ADVISORY BOARD LEGISLATIVE AGENDA**

Nathalie Dailida stated that there is good news out of the House Budget – \$5 million has been restored to the Debt Service Assistance line item. The Governor's Budget recommended eliminating Debt Service Assistance entirely. MWRA's portion for FY04 should be approximately \$4 million if the item holds up in the Senate.

During the budget process the House now calls for the DWM to report to the Department of Parks and Recreation Commissioner and is funded at \$9.2 million.

The House repealed the Watershed Management Fund and diverted the surplus monies from that fund to Medicaid. There will probably be less accountability with the watershed management fund gone because it had allowed for some tracking of what was being spent and what was being brought in through the DWM.

The Wastewater State Relief Fund held up at \$51 million, slightly larger than the Governor's budget recommended and existing drinking water projects and new water projects remained the same. The Safe Drinking Water Act compliance was budgeted at \$1.5 million.

The House approved an Early Retirement Incentive Program and expressly included MWRA in the Program, should the MWRA Board of Directors vote to participate (vote must be taken by April 1, 2004). MWRA may alter the retirement incentive, but may not provide more than the House outlines. MWRA employees participating shall not retire later than June 30, 2004. The maximum number of participants is 5000 statewide. This Program will include MDC employees as well.

The House budget calls for a pension contribution rate increase and the state employee health insurance contributions were changed as follows: current retirees (90% state, 10% employee);

future retirees (85% state, 15% employee); active employees (80% state, 20% employee); post January 1, 2004 hires (75% state, 25% employee). Additionally, a study was approved to determine the feasibility of returning to an 85/15% ratio for active employees by July 1, 2006.

The DWM transfer language was not successful. In the House the Advisory Board's bill had great momentum, with 20+ sponsors and a lot of support; but it seemed to come down to a control issue with the people who make the final decisions within the House Budget.

The Senate Budget comes out on May 21st and staff will pursue the transfer in the Senate as well, with emphasis on Senator Brewer.

❖ **ACTION ITEM: NOMINATION AND ELECTION TO THE MWRA BOARD OF DIRECTORS**

In the absence of a quorum, this Action Item was postponed.

Operations Committee – Jay Fink

❖ **STATUS: WILMINGTON'S REQUEST FOR A SIX-MONTH EMERGENCY WATER CONNECTION**

Mr. Favaloro stated that last month the Advisory Board voted that Wilmington's approval for an emergency water connection was contingent upon an Agreement between the Town of Wilmington and the City of Woburn. The Agreement was sent to the Advisory Board and yesterday the Board of Directors approved the emergency connection.

❖ **UPDATE: OPERATIONS COMMITTEE MEETING OF MAY 6TH**

At the last Operations Committee meeting the two principal items on the agenda were a discussion on the Current Expense Budget and a review of water and wastewater issues in Wilmington. Michael Woods and his consultant were before the Operations Committee to outline Wilmington's progress to date.

D. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:05 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary