

**EXECUTIVE COMMITTEE MEETING  
JUNE 13, 2003**

MINUTES APPROVED AT THE SEPTEMBER 12, 2003 MEETING

Present: Guy Carbone, BELMONT; Ed Sullivan, CANTON; Lou Taverna, NEWTON; Ted McIntire, READING; Walter Woods, WELLESLEY.

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

**I. Approval of the May 9, 2003 Minutes of the Executive Committee**

In the absence of Chairman 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 MAY 9, 2003 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

**II. CIP/CEB Update**

Cornelia Potter stated that the Authority agreed with the Advisory Board's overall strategy to apply the reductions in spending and increases in non-rate revenue to preserve the rate stabilization amount that the Authority had originally proposed to use for FY04. The Advisory Board completely substituted \$12.57 million in other reductions in order to preserve that amount of money for future rate increase smoothing. The Authority did disagree with some Advisory Board recommendations, most notably under direct expenses where MWRA took issue with some utilities and professional services recommendations; but the Authority also added back in a number of additional expenses as it updated its expectations for next year's spending.

To substitute for the difference with the Advisory Board's recommendations, MWRA reduced debt service by an additional \$2.2 million so that the reduction in rate stabilization reserves of \$12.57 million remained the same. Still uncertain is the potential for some debt service assistance from the state; even if it passes the Legislature, there is still the risk of veto by the Governor. The Authority is not assuming any debt service assistance at this time, but if it does materialize, the Authority would pursue a budget amendment in order to reflect reduced rate revenue requirements for FY04 according to the amount that may come through for debt service assistance.

On the CIP side, the Board approved a five-year cap of \$1.134 billion. Part of the agreement is that the Authority would have some flexibility with each of those five years, plus or minus 20% of the cap amount, with the understanding that over the five-year period the Authority would not spend more than the total of \$1.134 billion.

The Authority also amended some of its budget policies and the Advisory Board recommended that MWRA consider modification of the five-year cap in the event that court ordered projects were reduced that the cap would be reduced by that same amount. Mr. Favaloro stated that originally the Authority had concerns about that change, however, before the Board vote in the afternoon, the suggestion was amended to include not only court ordered projects, but all projects. Staff's goal was to get the Board involved when these issues occur where there could be potential savings in court ordered projects. It is not an automatic cutback, but such changes will have to go to the Board for discussion. MWRA could have some success in getting regulators to reduce some of the requirements on CSO projects that could save significant dollars over the next three to five years.

Ed Sullivan asked where the Authority stands on pending litigation; there were some significant lawsuits pending. Is that part of the contingency mentioned before? Ms. Potter replied that it is part of the contingency and one of the best examples is the recent payment of the Outfall Tunnel claim of \$26 million this fiscal year.

Mr. Sullivan asked if it is reasonable to assume that the preliminary budget will be the final approved budget. Mr. Favaloro stated that the only possible change would be the potential for debt service assistance coming back. The number will be no higher, but could be less.

### **III. Legislative Update**

Mr. Favaloro stated that the Senate added \$5 million back to the debt service assistance line item, which is now a non-conferencable item because the House has included \$5 million for debt service assistance as well; however, the Governor could veto this item, which the House and Senate could override.

The Senate version of the budget transfers the MDC Division of Watershed Management (DWM) to the Department of Conservation and Recreation, which is potentially worse than the House version. The Senate version combines all watershed lands and operations of DEM and others under the new division, but only provides \$9.5 million for the DWM in the budget. The Senate version contains a department that has no funding. Staff wrote an Amendment to the Senate Budget to take care of this; however, Senator Murray asked Senator Shannon to withdraw the Amendment and indicated that the Senate would go with the House version.

Transferring the DWM to MWRA will not be an easy task. Staff will continue to push the merits of this transfer to the Legislators until the hearing in October. The key player is Senator Brewer, who is hard to nail down on what it will take to gain his support.

Mr. Favaloro stated that the House Budget allots \$8.7 million for DWM, considerably less than allotted for FY03. Over the last five years the budget will have gone from \$10.7 million down to \$8.7 million resulting in some significant impacts to the DWM.

Walter Woods asked if the Authority wants to take on the DWM responsibility. Mr. Favaloro stated that at this juncture, the stakes are high, if DWM can't do its job, it will be costly for the MWRA to fix the problems. The MWRA Board of Directors vote to support the transfer was nearly unanimous.

If it was difficult in the past to ensure that there were boundaries and definitions on responsibilities at DWM, those lines will be even further blurred after July 1. There are many more agencies in the same pool of an organization; employees could be stretched beyond DWM responsibilities. Under the Senate version, all of DEM's responsibilities are part of this mix, including passive recreation lands and flood protection.

DWM staff numbers 133 now and the state is going to have additional layoffs and another Early Retirement Program to reduce another 3,000 to 5,000 employees overall. It is fair to assume that some will come from this Division.

Ed Sullivan stated that it is an important issue because DWM was given the money to take care of the watersheds and the bird issues. There is no clear chain of command. Where is the ratepayers' money going?

Guy Carbone asked if the Authority would still continue to fund the watershed division under any of these new plans. Mr. Favaloro stated that under any of the scenarios, MWRA would still reimburse the Commonwealth for the cost of the watershed division; the blurred part comes after July 1 when we won't know what the watershed division is under any of these versions.

Mr. Carbone asked if there is someone in the Legislature, either from the east or the west, who could do something about the MWRA paying for something that the state will run. Mr. Favaloro stated that the east is there, it is convincing the west that its interests could be protected and served better if MWRA had control of the watershed division; the only thing that would change is that the resources would be in place to do the job better. Their recreational activities would not be reduced; that is the west's biggest concern.

Mr. Woods stated that somehow there is a weak link in having the Secretary of the Executive Office of Environmental Affairs as Chairman of the Board of Directors. Mr. Pappastergion noted that the Board voted to endorse the transfer.

Staff will work to build momentum in order to pack the hearing room and have letters of support and sponsors for the October 16<sup>th</sup> Senate Hearing.

Additionally, the state voted to allow the Authority to participate in another Early Retirement Incentive Program. Ms. Potter stated that as many as 200 employees could be eligible to participate; however staff believes that only one-tenth of those eligible will participate.

The Senate chose to increase employee health insurance premiums based on salary up to 30%; however, staff believes that the final budget will include the House version (a 20% premium assessed for state employees' health insurance; employees hired after January 1, 2004 will be responsible for 25%).

#### **IV. Summer Field Trip**

The summer field trip to the Quabbin Reservoir will be tailored to build momentum for the public hearing in October for the transfer of the watershed division. Staff is working with Bill Pula of the MDC Watershed Division and the sportsmen's and recreation organizations in western Massachusetts to coordinate the trip.

## **V. Critical Issues Update**

The Army Corps of Engineers has notified MWRA that it may require the Authority to move the Cross Harbor Electrical Cable as a result of Massport's potential dredging of the Reserved Channel. There is some question as to whether it was installed to the letter of the permit. The Harbor Electric Energy Company (a subsidiary of NStar) installed the cable in the early 1980s, with MWRA picking up all of the \$40 million in costs. If it has to be moved, the costs would be in that range. There is some question as to which entity would be responsible.

To the credit of the Authority, it continues to engage EPA in a dialog about a structured, phased approach to deal with CSOs. MWRA is coming up with new ideas to try to eliminate structures dealing with odor control and storage, noting that siting these facilities in South Boston is going to be near impossible. That may provide some opportunity to do things in an elongated phased approach. If the end result turns out to be significantly different than the current plan, that is a big plus.

Ms. Potter noted that the Authority has several CSO projects under reassessment in the next 12 months. In addition to the South Boston project, the Authority is about to submit a notice of project change for the Fort Point Channel project, which will bring its cost down from \$12 to \$3 million. The next phase of work will be submitted to MEPA for the Alewife project in the Cambridge/Arlington area. That project will be over \$70 million, half of which will be the responsibility of the MWRA. The Authority also will be submitting in the coming months a report on the variance for Charles River water quality and East Boston. In sum, the Authority will have five CSO projects up for some kind of decision making in the next 12 months.

The Authority is in the process of doing a design/build bid for Blue Hills Covered Storage in the Quincy/Milton area. MWRA has coordinated with a working group (including EPA, communities, Army Corps of Engineers (Corps) and DEP) for over two years to come up with a plan that would allow the Authority to do covered storage, as well as meet wetlands requirements. At the eleventh hour, the Friends of the Blue Hills (FBH) sent communications to the Corps saying that the Authority hasn't done enough wetlands restoration and wanted the Authority to buy a cemetery in Quincy. EPA agreed and sent the same communication to the Corps so the potential for significant costs have been added to this project; costs that frankly both the Authority and the Advisory Board would never allow. If in fact the Corps were to agree with EPA and FBH, this project would potentially be put on hold. The requests are outlandish considering that the existing Reservoir is man-made. Preliminary indication from the Corps supports the MWRA's view.

As part of the mid-year budget reduction, MWRA indicated that it wanted to move out of the Fore River staging area site, moving Operations staff to Chelsea. The Authority, with many comments from the Advisory Board, spent millions of dollars building a state of the art records center to protect all of its archival records in the right atmospheric conditions and easy access. If MWRA is now moving from Fore River, another records center will need to be built. The MWRA is still developing an exit strategy.

Mitigation has always been a hot button issue. The Advisory Board and the communities worked very hard with the MWRA to come up with a mitigation policy that states that mitigation will be determined by the impact, no more or less. Quincy is seeking further mitigation. The Authority included \$600,000 in its budget for Quincy, which may go up or down. Currently, the

only MWRA impact on Quincy is the pelletizing plant, which had one fire call in the past 18 months. There are no trucks going back and forth on Quincy streets and MWRA has already sold most of the Fore River site. Mitigation should be equal to the impact.

**VI. Approval of FY04 Advisory Board Meeting Schedule**

Mr. Favaloro stated that last year the Advisory Board went to a daytime format for all Advisory Board meetings and found that attendance increased.

Before the FY04 schedule is finalized, staff wanted to seek the input of the Executive Committee. The sense of the Executive Committee was to keep the daytime format for the Advisory Board meetings.

**VII. Approval of the Advisory Board Agenda for June 19, 2003**

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE JUNE 19, 2003 MEETING**. It was seconded and passed by unanimous vote.

**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