

**EXECUTIVE COMMITTEE MEETING
SEPTEMBER 12, 2003**

MINUTES APPROVED AT THE OCTOBER 10, 2003 MEETING

Present: John Sullivan, BOSTON; Ed Sullivan, CANTON; William Hadley, LEXINGTON; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Jay Fink, QUINCY; Ted McIntire, READING; Ralph Pecora, WALTHAM.

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 June 13, 2003 Minutes of the Executive Committee

The meeting, held at the Advisory Board office, was called to order by Chairman Katherine Haynes Dunphy at 8:35 a.m. A Motion was made **TO APPROVE THE JUNE 13, 2003 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Action Item: FY04 Executive Committee

The following slate was presented to the Executive Committee for its consideration:

<u>Chair:</u>	Katherine Haynes Dunphy, Milton
<u>Vice Chair of Finance:</u>	Bernie Cooper, Norwood
<u>Vice Chair of Operations:</u>	Jay Fink, Quincy
<u>Secretary:</u>	Edward Sullivan, Canton
<u>Treasurer:</u>	John P. Sullivan, Boston

<u>At-Large:</u>	Andrew DeSantis, Chelsea
	William P. Hadley, Lexington
	Timothy MacDonald, Cambridge
	Edward D. McIntire, Jr., Reading
	* Ralph Pecora, Waltham
	* John Sanchez, Arlington
	Dana Snow, Marblehead
	Lou Taverna, Newton
	Walter Woods, Wellesley

*New member for FY04.

A Motion was made **TO SUBMIT THE LIST OF NOMINEES TO SERVE AS THE MWRA ADVISORY BOARD EXECUTIVE COMMITTEE FOR FY04 TO THE FULL ADVISORY BOARD**. It was seconded and passed by unanimous vote.

III. Developing/Discussing/Strategizing Issues for Upcoming Months

• CSOs

Joseph Favaloro, Executive Director of the MWRA Advisory Board, stated that over the last couple of months there has been an explosion of CSO stories. From an MWRA community standpoint, it is not a positive story. Bruce Berman of Save the Harbor/Save the Bay has stoked the fires to get the stories out to make a case that MWRA has a “moral” responsibility to take care of stormwater. If stormwater is added to the equation, the cost impact is significant.

The original capital budget for CSOs was \$1+ billion, then paired down to \$370 million, and is now back up to \$600+ million. Stormwater was included as a small part of the MDC stormwater capture that expanded into the North Dorchester Bay/Reserved Channel project that now includes a 600 MGD pump station that would be utilized once every 2½ years. The Authority cannot site a pump station of this magnitude because there are significant siting issues.

A Boston delegation, led by Senator Hart, wants the project to go to the Conley Terminal. There have been discussions with EPA and others regarding exchanging parcels of land with Massport. There is an oil company that the Authority would buy and exchange with Massport for another section of the terminal that overlooks Castle Island. The 600-MGD pump station would be the first thing people would see coming into Boston Harbor in front of Castle Island.

The Boston Globe is advocating that the Authority has the responsibility to deal with all stormwater and build the pump station, regardless of the fact that the Authority has come up with a plan working, with the City of Boston and others involved, that gets 98% of capture and deals with most of the problems in an average year's rainfall. It may be time for the Advisory Board to be more aggressive in its stance. Staff has stressed to the Authority that a critical piece is an affordability analysis, which determines if the general population, the ratepayers, can afford to spend this amount of money.

Mr. Carroll suggested that the Advisory Board hire its own economist to do the affordability analysis. Mr. Favaloro stated that staff agrees that the affordability analysis needs to be done by someone outside of MWRA staff. Would it have more credibility, as long as it was an outside economist, hired by the Advisory Board? Mr. Carroll stated that the Advisory Board, as the critic, should hire the economist. It wouldn't cost a lot of money to have someone do an affordability study in the greater Boston area.

Chair Dunphy stated that an issue that has come up in the newspapers is the affordability for housing, particularly for young couples. If you have a husband and wife with kids, they both have to work because housing, as a whole, has become so expensive. The cost of water and sewer is part of the total housing cost and that is what should be stressed to EPA. There may be studies that say 2% of the average income is affordable for water and sewer, but not if everything else as part of the living costs has escalated.

Ed Sullivan asked if the Enabling Act has constraints on the MWRA and its responsibility for stormwater. Mr. Favaloro stated that many years ago the Authority, by a vote of the Board of Directors, took on the responsibility for Combined Sewer Overflows for Boston, Cambridge, Chelsea and Somerville. So the Authority does have a history of taking on the responsibility for CSO problems. Stormwater is not the responsibility of the MWRA. At a recent meeting that included The Boston Harbor Association, Save the Harbor/Save the Bay and residents of the Fort Point Channel area, Mr. Berman kept peppering the Authority about its responsibility on stormwater. At that

meeting EPA stated that stormwater is not the responsibility of the MWRA and if MWRA went to court, it would win.

John Sullivan stated that both the Authority and BWSC agreed that it would be cheaper and better to do sewer separation. BWSC told Mr. Berman that sewer separation would be a 24" pipe to drain, whereas at the end of the Fort Point Channel there would be twin 20' X 15' stormwater outlets.

Mr. Favaloro stated that a key ingredient is an outside consultant.

Chair Dunphy suggested that the study could also look at it what it would cost if MWRA took on all MWRA communities' stormwater, not just those four communities. If it is a stormwater agency, it should be for all the communities.

Mr. Favaloro stated that staff has suggested the idea of putting together a major white paper that focuses positions relating to CSOs. This fight can be fought rationally with economists and in other forums as well.

- **Cross Harbor Cable**

In order to provide electrical power to Deer Island, a cross harbor cable was installed. The Army Corps of Engineers (Corps) and Massport are looking to potentially dredge the harbor to accommodate larger cruise ships. The Authority's cable runs under the area that might be dredged. If the Authority has to move or deepen this cable, the costs could be in the \$20 to \$40 million range.

When the cross harbor cable was installed, the Authority, working with a special company called the Harbor Electric Energy Company (HEEC) [formed by Boston Edison with MWRA as its only customer], was under a tight deadline to get this line in. There is some speculation that the line was not put in deep enough, which would be a violation of the permit. If that is the case, even if Massport and the Corps don't dredge, MWRA or others may be forced to deepen the cable. There is bedrock under the cable's position so costs would significantly increase.

Mr. Carroll asked about HEEC or Edison's responsibility in the matter. Mr. Favaloro stated that since the Authority is HEEC's only customer, the Authority picks up all the costs associated with it. The Authority was a joint permittee. Mr. Carroll stated that if the Authority is forced to deepen the cable, it should be HEEC's obligation to do it. Mr. Favaloro noted that HEEC will go back and charge its customer, the MWRA. Mr. Pappastergion stated that if the cable was not put in deep enough in the beginning, it should be the problem of the company that installed it.

- **Operation Switch Over**

The September 30th Operations Committee meeting will be utilized as a community outreach for the Authority to lay out its plans for start up of the new Walnut Hill Water Treatment Plant and the MetroWest Water Supply Tunnel. Ryan Ferrara noted that MWRA anticipates switching to the Wachusett Aqueduct as its back up system this winter and activating the ozone plant in 2004.

- **FY04 Debt Service Assistance**

Staff has been working aggressively, with the Legislative Caucus, to communicate with the Department of Revenue (DOR) the need to move on the process for the distribution of the \$5 million of debt service assistance allocated for FY04. Staff was pleased to see that DOR has expedited the first part of the process. Applications have to be back by September 19. From there, DOR will determine how to distribute the \$5 million.

- **Future Debt Service Assistance**

The future of debt service assistance is unknown. In discussions with the Caucus, the goal for FY04 is to move beyond the \$5 million with the overall goal to get to the levels MWRA had before. On a positive note, the Commonwealth had higher receipts than expected for July and August and its “rainy day” surplus fund is \$300 million higher than anticipated. Because of the use of rainy day funds in the past couple of years, the Commonwealth still needs to make up \$1 billion.

- **Transfer of Watershed Division**

Staff has gotten a lot of good feedback on the Advisory Board field trip to western Massachusetts. It served to bring east and mid west together in a forum that allowed for give and take.

October 16th is the next critical date, when Natural Resources meets to hear the Advisory Board/MWRA bill to transfer the MDC Division of Watershed Management (DWM) to MWRA. The Advisory Board’s October 16th meeting, scheduled for Wilmington, will be switched to Boston so people can participate in the hearing.

The DWM may be losing another 8 to 10 employees to early retirement, bringing the number of staff down to 125, between 27% and 30% understaffed based on the Watershed Management Plan filed with EPA, which states that 180 employees are needed.

Last January DWM went out with a Request for Proposals to do a stormwater conveyance study. Rizzo Associates had the low bid for the whole watershed area and tributaries to make adjustments to ensure that the water supply would be protected. The Authority found out two weeks ago that the contract was not awarded and MWRA has been misreporting that DWM would do that study. Even though the contract would be funded by MWRA ratepayers, it is not being undertaken by the DWM.

Mr. Pappastergion asked if a letter citing these concerns would be sent to the Governor. Mr. Favaloro stated that staff sent a letter to the Governor requesting that a transition team be put together to determine the best consolidation of all the Environmental Departments. The only entity not invited to participate was the MWRA. When asked, the Secretary of EOEA stated that MWRA could comment on the completed plan. The Advisory Board’s letter said that the Authority needs to be on the team.

Additionally, Doug Foy, Chief of Commonwealth Development, has been looking to cut the budget for open space and has been asking about watershed lands that are purchased. In the preliminary capital budget for the Commonwealth, there may be a reduction, if not elimination, of the Commonwealth funding for the acquisition of watershed lands.

The Secretary of EOEA continues to be a strong advocate of a MOU with the Authority and the new Department of Conservation and Recreation. As long as the Commonwealth is under a hiring freeze and a capital budget cap, problems will continue to persist.

Thus far, the Advisory Board/MWRA legislation has the support of the Sierra Club, WSCAC, ELM and many groups in west central Massachusetts.

- **Staffing Levels at MWRA – Potential Impacts on Maintenance**

The Advisory Board has advocated over the years that the Authority needs the right level of staffing to maintain its infrastructure and was active in the HDR and Black & Veatch studies that established staffing targets for the Authority. With the two Early Retirement Incentive Programs and layoffs at the MWRA, staff would like to call attention to the Operations and Maintenance (O&M) area.

MWRA does yellow and orange notebooks that track its goals in different areas. In the O&M area, MWRA is significantly below its goal for valves replaced. It is a trend. The Advisory Board recommends that the MWRA put its efforts toward hiring the right levels of staff.

Mr. Ferrara noted that MWRA staff has expressed concern that because of reductions, keeping up with maintenance has become a greater problem for them. The Authority's practice of doing more preventative maintenance is lagging.

Mr. Favaloro noted that this stance is not meant to be critical of the MWRA. With the loss of debt service assistance, layoffs and early retirements, MWRA has upped some of the levels of rehiring. The Commonwealth's backfill allotment is 20%; the Authority plans to backfill 50% of the dollar value because it did not replace any employees during the first early retirement initiative.

- **Wastewater Meter Replacement Program**

The Operations Committee has been active in discussions on the Wastewater Metering Replacement Program. Messrs. Carroll, Fink, Pappastergion and Favaloro have served on this Committee. The Authority has done a good job in getting the Program ready to go to the Board in October. On the Advisory Board Agenda for the October or November meeting will be a presentation regarding the meter replacement program.

- **CIP Cap**

Advisory Board staff has had an ongoing dialog with the Authority on the CIP cap. There is a new five-year cap in place. Staff will continue to monitor where the MWRA stands in relation to the cap as information streams into the office. Additionally, as CSO issues are resolved, staff will monitor to see how these projects fit into this cap.

IV. Update: CIP and CEB Budgets

Ms. Potter stated that the FY03 Current Expense Budget closed the year with a surplus of \$2 million, a variance of less than half of 1%. It is the second smallest variance in the Authority's 18-year history in terms of dollars and as a percentage of the overall size of the budget, it is the smallest ever.

Revenue and income were nearly \$490 million, just \$2 million more than budgeted. Expenses were \$487 million, about \$0.25 million more than budgeted. Direct and indirect expenses were \$7 million more than budgeted but because debt service was \$7 million less than budgeted, actual spending came very close to the total budget amount.

For the capital budget, FY03 expenditures came to nearly \$300 million. More than half of all capital spending last year was for just four projects: Walnut Hill, MetroWest, Braintree-Weymouth and Norumbega. Total spending was 12% less than the \$340 million if contingency funding is included, but if the contingency budget and the tunnel outfall claims payment of \$26 million are not included, the Authority's spending was about 10% of the budget.

For FY04, the Authority's capital budget is \$237 million, fully \$66 million less than budgeted for FY03. Spending on waterworks projects is budgeted at \$128 million, nearly \$30 million more than wastewater projects. The largest projects will be Braintree-Weymouth at \$29 million, Deer Island at \$8 million, CSO spending at nearly \$50 million (half of all wastewater spending this current year). Waterworks spending includes \$48 million for Walnut Hill, \$12 million for Norumbega, \$10 million for MetroWest and \$28 million for distribution and pumping.

The new five-year cap is set at \$1.134 billion for FY04-08, with specific caps ranging each year between \$200-\$250 million. Spending can vary plus or minus 20%, as long as it remains within the total five-year cap.

The FY04 Current Expense Budget totals \$475 million, including \$173 million for direct expenses, \$30 million for indirect expenses and \$270 million for debt service, net of the bond redemption savings and some variable rate savings. More than 90% of the budget comes from ratepayers.

Staff is already watching the pace of spending for this fiscal year. Spending for July came to \$37 million, 4.5% below budget. The Wages and Salary line item, however, is running 10% below budget and maintenance spending is running 20% below budget in the first month of the year.

Initial steps for preparing the FY05 CEB and FY05-07 CIP are already under way. The Advisory Board staff is preparing for a series of budget review meetings at the close of the first quarter. Key topics will be staffing, utility and chemical expense and maintenance spending.

V. Approval of the Advisory Board Agenda for September 18, 2003

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE SEPTEMBER 18, 2003 MEETING**. It was seconded and passed by unanimous vote.

VI. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:55 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary