

## MWRA ADVISORY BOARD

*Summary of:*

### MWRA BOARD OF DIRECTORS' MEETING

November 12, 2003

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A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on **November 12, 2003** at the Charlestown Navy Yard. **Present:** John Carroll, Andrew Pappastergion and Joseph Foti, Advisory Board Representatives; Chair Ellen Roy Herzfelder and Lucile Hicks, Gubernatorial Appointees; Vincent Mannerling, Antonia Pollak and Kevin Cotter, City of Boston Representatives; Joseph MacRitchie, City of Quincy Representative; Marie Turner, Town of Winthrop Representative. **Absent:** Donald Mitchell, Gubernatorial Appointee.

### AGENDA

#### **Report of the Chair**

No Report.

#### **Report of the Executive Director**

Fred Laskey, MWRA Executive Director, reported that discussions have begun for a future Memorandum of Agreement between the Authority and the Division of Conservation and Recreation.

Mr. Laskey distributed to members of the Board copies of a letter from Robert Varney, EPA Regional Administrator, discussing the Authority's Fort Point Channel CSO Control Project. While EPA is committed to a high level of CSO control for Fort Point Channel, it is unrealistic to eliminate all CSOs to the Channel at this time. EPA will continue to discuss modifications to the project based on additional information to be available soon. Mr. Laskey also noted that there is a proposal for taking a holistic approach to reviewing the CSO Program. EPA expressed the view that MWRA could spend \$2 to \$3 billion and not exceed the affordability threshold.

Mr. Laskey also noted that the Authority's Management Policies were being updated and would be brought for discussion or vote at the December meeting.

Mr. Laskey and the Finance staff had a meeting with Moody's on MWRA's position and received positive feedback.

### APPROVALS

#### **Appointment of Kate Murray as Proxy for the Fore River Railroad Corporation Meeting of the Stockholders**

The Board of Directors, as holder of all of the outstanding stock of the Fore River Railroad Corporation, voted to appoint Kate Murray with the power of substitution to vote as proxy at the next annual meeting

and any special meeting of the stockholders for the Fore River Railroad Corporation. In addition, the Board of Directors directs the proxy to elect the following board members:

Frederick Laskey	Joseph MacRitchie	Kenneth Wissman	John Vetere
Michael Hornbrook	Maggie Debbie	Elizabeth Murray	Nancy Kurtz

**Disposal of Surplus Property**

The Board voted to authorize the Executive Director, on behalf of the Authority, to dispose of surplus property for a six-month period and report back to the Board on the results of the efforts.

With the consolidation of several MWRA locations into the Chelsea facility and the impending closure of FRSA, a concerted effort has been made to review materials for usefulness and to ensure that the maximum benefits are realized from the disposal of property. The Surplus Property Committee reviews the items to determine proper disposition. Items deemed to have residual value are publicized internally on the MWRA's Intranet Site and the Surplus Property Coordinator arranges for the items to be transferred. If no other MWRA use is identified, the Surplus Property Coordinator works with Procurement to arrange for disposition of the material under the guidance of the Authority's Disposal of Surplus Property and the Purchasing Policies and Procedures. Procurement will employ the method that provides the best market return to the Authority including solicitation of quotes, advertising a request for bids, or contracting with a liquidator. Funds collected from the sale of surplus property are returned to the General Fund.

**Memorandum of Understanding and Financial Assistance Agreement with the City of Cambridge for Implementation of CSO Control Projects, Amendment 4**

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute Amendment 4 to the Memorandum of Understanding and Financial Assistance Agreement with the City of Cambridge for implementation of CSO control projects, increasing the financial assistance award amount by \$1,254,000 to a revised not-to-exceed amount of \$19,663,000 and extending the term of the agreement by twelve months, from December 31, 2003 to December 31, 2004.

On June 28, 1996, MWRA and Cambridge entered into a Memorandum of Understanding (MOU) and a related Financial Assistance Agreement (FAA) for implementation of combined sewer overflow control projects to establish a mechanism and procedures by which MWRA funds are made available to Cambridge to pay eligible design and construction costs for certain CSO projects managed by the City.

The FY04-06 CIP budget includes \$41,016,000 for design and construction of the Cambridge-implemented CSO projects, which include Alewife Brook Sewer Separation and Alewife Brook/Charles River floatables controls. The total cost of the Alewife Brook Sewer Separation project alone was estimated to be \$74 million in the April 2001 Notice of Project Change. Cambridge and MWRA intend to share the cost of that project, with MWRA's share estimated to be \$38 million.

Ms. Hicks asked how much MWRA has spent on this project to date. Staff stated that \$17 million has been transferred to the city and spent. Total project cost and MWRA share will be updated with completion of regulatory review.

**November PCR Amendments – FY04**

The Board voted to approve the amendments to the Position Control Register. Those that make up the financial impact are as follows:

<b>Current Title</b>	<b>Amended Title</b>	<b>Financial Impact</b>
Construction Manager	Construction Coordinator	\$3,214 - \$ 3,214
Construction Manager	Construction Coordinator	\$3,469 - \$ 3,469
Program Manager	Construction Coordinator	\$3,489 - \$ 3,469
<b>Total</b>		<b>\$10,151 - \$10,151</b>

Staff will ensure that any cost increases associated with these PCR amendments will not result in spending over the approved FY04 Wages and Salaries Budget.

**Appointment of Shift Manager, Deer Island**

The Board voted to approve the Executive Director’s recommendation to appoint William W. Waitt to the position of Senior Shift Supervisor, Operations at the Deer Island Treatment Plant at an annual salary of \$89,067.21 effective November 15, 2003.

Upon the retirement of Thomas Costello in March 2002, Mr. Waitt was installed in the position of Senior Shift Supervisor on an acting basis. The Senior Shift Supervisor directly supervises six Shift Managers and provides overall supervision of 48 operations staff at Deer Island. The position was posted internally and Mr. Waitt was selected as the best-qualified candidate.

There are sufficient funds in the Operations Division’s FY04 CEB to fund this position. Mr. Waitt’s former position of Operations Process Manager will not be backfilled as Mr. Waitt has retained many of his previous responsibilities.

**Appointment of Manager, Process Control, Deer Island**

The Board voted to approve the Executive Director’s recommendation to appoint David F. Duest to the position of Manager, Process Control at the Deer Island Treatment Plant at an annual salary of \$91,124.28, effective November 15, 2003.

The position of Manager, Process Control, was posted internally upon the promotion of Jeffrey Reade to the position of Deputy Director of Operations. Mr. Duest was selected as the best qualified candidate and has held the position on an acting basis since July 2002. There are sufficient funds in the Operations Division’s FY04 CEB to fund this position.

**Appointment of Materials Manager, Procurement Department/Support Services**

The Board voted to approve the Executive Director’s recommendation to appoint Janice M. Brady to the position of Materials Manager in the Procurement Department at an annual salary of \$78,862, effective November 17, 2003.

The position became vacant upon the retirement of Bernard Hennessy in June 2002. The Materials Manager supervises a unit of 25 people in four regional warehouses and manages the replenishment, receipt and disbursement of the goods and materials needed to operate and maintain the property of the Authority. This position was posted internally and Janice M. Brady was selected as the best candidate. During her acting capacity (since July 2002), Ms. Brady was able to reduce the total value of the inventory while continuing to provide critical services to the warehouse customers. There are sufficient funds in the Department’s FY04 CEB to fund this position.

**Appointment of Senior Staff Counsel, Labor/Employment**

The Board voted to approve the Executive Director's recommendation to appoint Kathleen Chaloux to the position of Senior Staff Counsel for Labor/Employment in the Law Division at an annual salary of \$88,399, to be effective on the date designated by the Executive Director.

Ms. Chaloux has seven years experience in the labor and employment area, with an additional four years experience in trial work at the Rhode Island Attorney General's Office and has represented the management of the Massachusetts Department of Revenue in numerous arbitration cases, as well as in other administrative forums, including the Massachusetts Commission Against Discrimination, the Labor Relations Commission and the Civil Service Commission. Funds for this position are budgeted within the FY04 Law Division Current Expense Budget.

Noting that the new hire fills a vacancy due to the transfer of an employee in the Law Division to the Labor Relations Unit, Mr. Mannering asked how the transfer was actuated. Mr. Walker stated that the employee was reassigned; she was Senior Staff Counsel working in the Law Division and is now Senior Staff Counsel working in the Human Resources Department. Mr. Mannering expressed concern that the employee is earning \$8,000 more than her Manager. There is nothing wrong with the candidate; however, there is a problem with the internal workings. Mr. Walker responded that Human Resources needed the talent and the employee was already at that salary. In this instance, the Manager will not seek more money.

**CONTRACT AWARDS**

**Liquidity Agreement: Dexia Credit Local**

The Board voted to authorize: (1) the replacement of Financial Guaranty Insurance Company SPI (FGIC) on a Standby Bond Purchase Agreement for the 1998 Series D Variable Rate Bonds with Dexia Local Credit (Dexia); (2) the Executive Director, Chief Financial Officer or Treasurer to execute necessary changes in the twenty-third Supplemental Resolution to replace FGIC with Dexia as the provider of a Standby Bond Purchase Agreement; and (3) the Executive Director, Chief Financial Officer or Treasurer to execute a Standby Bond Purchase Agreement for five years for an annual fee not to exceed \$400,000 with Dexia for the MWRA's subordinate 1998 Series D Variable Rate Bond Issue.

To achieve a very low interest rate on variable rate bonds, the bonds must carry the highest short-term credit rating. To receive the highest short-term credit rating, a form of credit enhancement must be added to MWRA bonds. For the 1998 Series D bonds, MWRA selected two forms of credit enhancement: (1) municipal bond insurance to guarantee the principle and interest on the bonds at maturity and (2) a Standby Bond Purchase Agreement (SBPA) to provide liquidity (a bond buyer) should the MWRA be unable to remarket the bonds on any interest reset date. At the time of issuance, Financial Guarantee Insurance Company SPI (FGIC) was selected to provide both the bond insurance and SBPA. The bond insurance is in effect for the life of the bonds, while the SBPA expires in December 2003.

The Selection Committee recommended Dexia for the following reasons: (1) no requested terms that would be unacceptable to MWRA; (2) diversify the providers of credit enhancement to the MWRA; (3) high short-term credit ratings; and (4) good trading value. The cost of this liquidity agreement will be approximately \$200,000 for FY04. Funds are available in the FY04 CEB for this agreement.

**Letter of Credit Extension: Landesbank Hessen-Thuringen Girozentrale (Helaba)**

The Board voted to authorize: (1) the extension of a Letter of Credit (LOC) from Landesbank Hessen-Thuringen Girozentrale (Helaba) for the 1999 Series B Variable Rate Bonds; (2) the Executive Director, Chief Financial Officer or Treasurer to execute necessary changes in the twenty-fourth Supplemental Resolution to extend the LOC; and (3) the Executive Director, Chief Financial Officer or Treasurer to execute an irrevocable Letter of Credit for 12 years for an annual fee not to exceed \$260,000 with Helaba for the MWRA's Subordinate 1999 Series B Variable Rate Bond Issue.

For the 1999 Series B bonds, the MWRA selected credit enhancement in the form of a Letter of Credit (LOC) from a highly rated bank. A LOC requires the bank to pay the interest due and redeem the bonds should the MWRA be unable to remarket the bonds or pay the interest or principal when due. At the time of issuance, Helaba was selected to provide a LOC. The initial Helaba LOC expires in January 2004. The selection of Helaba for an extension was for the following reasons: (1) highest credit ratings; (2) excellent trading value; (3) LOC backed by the German State Government of Hessen; (4) possibility of securing short-term LOC rates through December 2015; and (5) lowest legal and rating fees. The cost of this LOC will be approximately \$130,000 for FY04. Funds are available in the FY04 CEB.

**CONTRACT AMENDMENTS/CHANGE ORDERS**

**Union Park Detention/Treatment Facility: Barletta Engineering Corp., Contract 6265, Change Order 4**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order 4 to increase the amount of Contract 6265 with Barletta Engineering Corp., Union Park Detention/Treatment Facility, in an amount not to exceed \$286,000. Further, to authorize the Executive Director to approve additional change orders as may be needed to Contract 6265 in amounts not to exceed the aggregate of \$250,000.

While as-built drawings were not available for the demolition of the old pump station, that was performed under a Boston Redevelopment Authority (BRA) contract, the Design Engineer, Metcalf & Eddy (M&E), did receive site drawings from the BRA showing the location of the footprint of the pump station. M&E did not incorporate the available BRA site information onto the contract drawings accurately. Excavation of the site during construction has shown that the BRA information regarding the pump station location was not completely accurate either and would have resulted in a change order, but of a smaller magnitude. The Contractor's design is based on erroneous information and must now be corrected. Staff is compiling a list of change orders that have resulted from a Designer omission/error and will notify M&E, in writing, of the current status of these findings. This change order will be reviewed as part of this process.

The cumulative value of all change orders to this contract total \$1,187,500, or 3.2% of the original contract amount of \$37,224,444, for an adjusted contract amount of \$38,411,944. The FY04-06 CIP includes a budget of \$37,224,000 for Contract 6265. Boston Water and Sewer Commission (BWSC) will pay 11.55% of the contract award amount plus any change orders that result from BWSC improvements. MWRA's cost is 88.45% of the contract award amount plus any remaining change orders. Work on this contract is approximately 17% complete.

**Walnut Hill Water Treatment Plant – Ozonation Treatment Facilities: Barletta-Shea, J.V., Contract 6489, Change Order 58**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order 58 to increase the amount of Contract 6489 with Barletta-Shea, J.V., Walnut Hill Water Treatment Plant –

Ozonation Treatment Facilities, in the amount of \$88,690. Further, to authorize the Executive Director to approve additional change orders as may be needed to Contract 6489 in amounts not to exceed the aggregate of \$250,000.

This change order will: (1) replace effluent channel stop logs with concrete walls; and (2) provide a security fence at diversion and overflow structures (to more securely protect the now active facilities). The contract documents require the installation of aluminum stop logs and frames in the effluent channel of the Ozone Building to isolate the ozone contactors for maintenance purposes. However, aluminum would have reacted with the ozone gas, resulting in rapid corrosion. Additionally, the Design Engineer, Camp Dresser & McKee, Inc. (CDM), was aware that MWRA safety policy requires that there be two barriers between personnel and process water. To correct this error by CDM, a solution has been developed that adds a concrete wall with 12-inch by 12-inch stainless steel slide gates on each side to provide the second isolation, in lieu of aluminum stop logs. A tolling agreement currently exists between MWRA and CDM to address design errors or omissions in the contract.

The cumulative value of all change orders to this contract is \$10,992,297, or 9.41% of the original contract amount of \$116,844,000, for an adjusted Contract total of \$127,836,297. Work on this contract is approximately 81% complete. The FY04-06 CIP contains a budget of \$128,003,000 for Contract 6489.

**Spot Pond Supply Mains, Sections 4, 5, 6, 7, 11, 12, 16W, 57 and 67: P. Gioioso & Sons, Inc., Contract 6381, Change Order 6**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order 6 to increase the amount of Contract 6381 with P. Gioioso & Sons, Inc., Spot Pond Supply Mains, Sections 4, 5, 6, 7, 11, 12, 16W, 57 and 67, in an amount not to exceed \$456,843.16. Further, to authorize the Executive Director to approve additional change orders as may be needed to Contract 6381 in amounts not to exceed of \$250,000.

During the required performance of joint seal pressure testing, the Contractor discovered an existing crack in a section of pipeline where two 45-degree bends exist. The crack was not found prior to the pressure testing because it is a hairline crack located in the pipe between two 45-degree bends.

Section 18 runs parallel to Sections 12 and 57 on certain roadways in Medford. The rehabilitation of this section was not included in the contract because it was not known at the time if this section would continue to be used. MWRA, through Parsons Brinckerhoff (P/B), designer of the future Section 18 rehabilitation contract, continued to evaluate whether to rehabilitate Section 18 or construct a new main in a different alignment. P/B has now completed its evaluation and staff determined that a rehabilitated Section 18 would relieve ongoing flow problems with Weston Aqueduct Supply Main 3 and provide support to Meter 32.

The cumulative value of all change orders to this contract is \$928,480.10, or 4.77% of the original contract amount of \$19,483,200, for an adjusted contract total of \$20,411,680.10. The FY04-06 CIP includes a budget of \$21,783,000 for Contract 6381. Work on this contract is approximately 32% complete.

**OTHER BUSINESS**

**Sale of Industrial Waterfront Parcel at Fore River Staging Area**

In regard to proposals received on November 22, 2002 for an industrial waterfront parcel at the Fore River Staging Area, the Board voted to: notify the highest bidder, Acorn Management, that its proposal was non-

responsive; to notify the second highest bidder, Eastern Salt Co., that its proposal was not in the best interest of the community; and to accept the proposal of the third highest bidder, Jay Cashman, Inc. Further, to authorize the Executive Director to execute a Purchase and Sale agreement with Jay Cashman, Inc. and to authorize staff to file legislation to approve the sale.

## **INFORMATION**

### **FY2004 First Quarter Management Indicators (Orange Notebook)**

Michael Hornbrook, MWRA Chief Operating Officer, reported that a strong emphasis was placed on maintenance at Deer Island during the first quarter of FY04. Retirements, resignations and transfers from one cost center to another contributed to a maintenance backlog in the previous quarter. Maintenance overtime was increased at Deer Island resulting in a reduction of the maintenance backlog. Only \$1,000 of the overtime spending could not be offset by other underspending. Human Resources is working aggressively to hire maintenance personnel and has recently filled positions for electricians and plumbers.

MWRA met the Total Coliform Rule requirement, maintained community chlorine residual levels and met regulatory standards for total trihalomethane (TTHM) levels, fecal coliform, and reservoir turbidity. Average monthly TTHM levels for MetroWest and Metropolitan Boston communities were higher than this time last year, but have dropped this quarter compared to last, reflecting the transfer of Quabbin Water starting June 30.

The target for filled positions for FY04 is 1,325; as of September 30, 2003, staffing has been reduced to 1,304 through early retirements and natural attrition. Staff expects the downward trend to continue through October and November and is aggressively working to backfill some positions internally and externally.

Average monthly sick leave usage for FY04 has risen sharply. Staff is in the process of analyzing the trend; however, sick time use by early retirees could be the main contributor. Mr. Laskey noted that 12 retirees used 1,330 hours of sick time in one month. This trend is something that the Authority needs to figure out how to deal with as 95 people are set to retire in June. Mr. Hornbrook noted that people are having surgery before they leave in order to get a doctor's note to have 100% of sick time paid for.

### **FY2004 Financial Update and Summary as of September 2003**

Through September 2003, total revenue was \$118 million, \$0.9 million or 0.8% less than budget, primarily due to investment income. Total expenses were \$113 million, \$4.6 million or 3.9% less than budget. Expenses are usually lowest in the first quarter of a fiscal year and are the highest in the fourth quarter; therefore variances at the end of the first quarter may not be indicative of year-end results.

### **Revisiting Obligation to Maintain Walpole Landfill Site**

Under the Memorandum of Understanding that MWRA entered into with the Towns of Norfolk and Walpole in 1993, MWRA agreed to review its sludge management program every five years and, if appropriate, seek to be relieved of the requirement to maintain the Walpole landfill site.

MWRA's FY04 Current Expense Budget contains \$300 for the annual cost of maintaining the site and plans for the landfill.

Mr. Hornbrook noted that the pellitization program to dispose of sludge byproduct has worked well and the Norfolk/Walpole land has not been used. Staff intends to work with Walpole, Norfolk and the court parties to revisit the need for this backup site since we currently pay \$870,000 for a Utah landfill and 40 rail cars.

**Update on the Framingham Extension Sewer Corrosion and Odor Control Program**

Staff provided the Board with an update on the status of the corrosion and odor problems, and the work being done to resolve these problems, in the Framingham Extension Sewer, Framingham Extension Relief Sewer, and downstream interceptors.

**South Boston CSO Reassessment Update on Control Alternatives**

Ralph Wallace, CSO Program Manager, updated the Board on the two most promising alternatives for providing a phased approach to CSO control for the South Boston beaches and Reserved Channel: (1) interceptor relief and (2) a soft-ground tunnel. Mr. Wallace stated that testing confirms the complexity of water quality in Dorchester Bay, directing the Authority to believe that a phased approach would be best.

Interceptor relief would free up bottlenecks and allow flows to move to Columbus Park headworks. The interceptor would become a storage conduit if the headworks couldn't take more. It would collect flows in rain events and once the storm passes, pump the flows to the headworks. Both alternatives rely on sewer separation in the northern tier of South Boston. The first phase would eliminate CSO discharges from all South Boston outfalls for up to a two-year storm. The initial cost would be \$220 million in current dollars. The second phase would provide additional storage in the northern end of Moakley Park for an additional \$100 million, bringing the total of the interceptor relief alternative to \$325 million for full build out in current dollars.

Another variation would construct a conduit all the way down to the Boston Main Interceptor, which would cause relatively short-term construction impacts, but has the fewest siting issues.

The second alternative of a soft ground tunnel could be mined from the headworks to the receiving shaft at Marine Park and would provide substantially greater storage capacity for up to a five-year storm. The first phase would cost \$220 million in current dollars and have more localized impacts. The second phase would extend the tunnel to the pump station and cost \$140 to \$155 million.

**Update on Water System Start-Up**

Michael McBride, Deputy Chief Operating Officer, stated that MWRA staff has worked as a team to successfully bring the water system online. On Phase I of the three phases, MWRA has worked on the rehabilitation of the Wachusett Aqueduct and temporary treatment facility, working over a 25-mile stretch of Wachusett and Route 128. Overall, 14 contracts worth \$800+ million have been completed.

The goal to shut down the Cosgrove/Hultman and bring the MetroWest online, including temporary chlorination, took place last Saturday. The Shaft C connection is now out of service as MWRA runs on the bypass, but will be part of the critical construction path.

Messrs. Laskey and Hornbrook acknowledged the efforts and contributions of MWRA staff in making the switch from the Cosgrove Tunnel to the Wachusett Aqueduct.

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*This Summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Mary Ann McClellan at the Advisory Board office with questions, comments and requests for additional information.*