

EXECUTIVE COMMITTEE MEETING
APRIL 16, 2004
Minutes Approved at the May 14, 2004 Meeting

Present: John Sullivan, BOSTON; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Jay Fink, QUINCY; Ted McIntire, READING; Walter Woods, WELLESLEY.

Also in attendance: John Carroll and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter, Tracy Wadsworth and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the March 12, 2004 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting, held at the Advisory Board office, to order at 8:32 a.m. A Motion was made **TO APPROVE THE MARCH 12, 2004 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Action Item: Wilmington's Request for a Six-Month Emergency Water Connection through Woburn

Joe Favaloro stated Wilmington has made a second request for a six-month emergency water connection. DEP has issued a declaration of emergency due to significant problems with five of Wilmington's nine available drinking water wells. Levels in excess of the public health advisory level for the carcinogen N-nitrosodimethylamine have been identified by Wilmington.

A Motion was made **TO ALLOW THE TOWN OF WILMINGTON (WILMINGTON) TO ACTIVATE A CONNECTION TO THE MWRA WATERWORKS SYSTEM, VIA THE CITY OF WOBURN (WOBURN), FOR A SIX-MONTH PERIOD WITH A START DATE IN MAY 2004. THE CONNECTION IS SUBJECT TO THE DEVELOPMENT OF AN INTER-MUNICIPAL AGREEMENT BETWEEN WILMINGTON AND WOBURN THAT ADDRESSES ISSUES OF ASSESSMENT AND CHARGES PRIOR TO CONSIDERATION BY THE MWRA BOARD OF DIRECTORS. ADVISORY BOARD APPROVAL IS CONTINGENT UPON RECEIPT OF A LETTER FROM WOBURN INDICATING THEIR SUPPORT OF THE INTER-MUNICIPAL AGREEMENT WITH WILMINGTON. AVERAGE DAILY DEMAND SHALL NOT EXCEED 1 MILLION GALLONS PER DAY. WILMINGTON WILL ABIDE BY THE RULES STIPULATED UNDER MWRA EMERGENCY WATER SUPPLY WITHDRAWALS (POLICY #OP.05), INCLUDING PAYMENT OF 110% SURCHARGE OF THE MWRA'S PREVAILING RATE PLUS 110% OF 1/3 OF THE ANNUAL PAYMENT ASSOCIATED WITH THE ASSET VALUE CONTRIBUTION PAYMENT (ENTRANCE FEE EQUIVALENT) AMORTIZED WITH INTEREST OVER 15 YEARS. RULES GOVERNING PREMIUM**

CHARGES AND ASSET VALUE CONTRIBUTION ARE INVOKED WHEN WATER IS TRANSFERRED FROM THE MWRA TO WILMINGTON. It was seconded and passed by unanimous vote.

III. Legislative Update

Mr. Favaloro stated the House FY05 Budget was released Wednesday. The most significant difference between the Governor's Budget (House 1) and the House Budget is the inclusion of \$5 million for debt service assistance in the House Budget. Additionally, funding for the Watershed Management Division is the same. However, the Governor's budget did not earmark the \$500,000 for Clinton resulting in only a slight increase of \$700,000 for the watershed division.

The Authority has filed tort liability legislation to impose the same limitations on the Authority's exposure to claims as communities currently have. The Advisory Board supports this legislation. In addition, the Authority has filed legislation to have its bond cap raised.

The Senate has discussed including \$10 million in debt service assistance. Therefore, through Conference Committee, debt service assistance should be either \$5 million or \$10 million. The Governor will most likely veto it, but it was overridden last year and hopefully will be this year as well.

The Senate is planning its budget for the mid-May timeframe with the Conference Report scheduled to be on the Governor's desk by the first week in June. The Legislature is working on an expedited schedule because if it is not done by July 19th, it more than likely will not happen at all. The Legislative Session officially ends on July 30th, however, with the Democratic Convention coming to Boston on July 24th, that week will not be conducive to being in session.

The Memorandum of Understanding (MOU) between the MWRA and the Division of Conservation & Recreation (DCR) was approved by the Board of Directors at Wednesday's meeting. The Advisory Board's Board Members were successful in getting the Secretary of the Executive Office of Environmental Affairs (EOEA), Ellen Roy Herzfelder, to state the Administration supports the Trust.

Senator Brewer is championing the Trust through the Senate version of the budget; meaning, he did not want the Trust language submitted in the House Budget. Because it has not been included in the House Budget, the Trust language must get through Conference Committee.

Former Senator/EOEA Secretary Bob Durand has been aggressively scheduling meetings over the last week to ten days to rally support.

Representative Naughton from Clinton has expressed concern the Trust may impact the \$500,000 allotment for the operation of the Clinton Wastewater Treatment Plant. Staff has suggested language could be developed to protect these funds. Staff believes Rep. Naughton's support is crucial as his former Chief of Staff is now Legal Counsel for

House Ways and Means and the Trust language will need Conference Committee approval.

Information received from DCR has uncovered non-watershed personnel being paid with watershed monies. The Advisory Board intends to hold all parties to the MOU. Non-watershed personnel should be off the payroll with a mechanism to reimburse the MWRA for at least this year.

IV. CIP/CEB Update

Cornelia Potter stated staff is approximately half way through the Current Expense Budget (CEB) review. Thus far, recommendations could total around \$3.7 million, comprised of \$1.4 million from Direct Expense reductions largely related to workers compensation updates, \$1 million in Debt Service reductions and \$1.3 million in assumptions around Variable Rate Debt. The Authority continues to assume considerably higher interest rates for variable rate debt than it currently pays. Even with anticipated increases in interest rates, the Advisory Board believes at 3% the Authority's assumptions for variable rate debt is high. Reducing those assumptions by two-tenths of a percent will still leave the Authority in a safe place. The \$3.7 million in reductions could bring the proposed rate revenue increase of 4.7% down to 3.9%.

The House Budget includes \$5 million for debt service assistance, which will translate to \$4.1 million for the Authority for FY05, resulting in a rate revenue increase of just under 3%. If the expected Senate Budget allocation were chosen in Conference Committee, it would be \$10 million and reduce the rate revenue increase to just over 2%. How low should the Advisory Board take its recommendations if debt service assistance materializes? Looking at a larger picture, how would these reductions impact the potential for debt service assistance? What impact would further reductions in FY05 have on FY06? Where should potential debt service assistance receipts in FY05 be utilized? How should the MWRA position itself as it has less rate stabilization funds every year?

Mr. Favaloro stated between now and FY08, the rate revenue requirement increases by \$100 million; from FY08 to FY11, it increases again by another \$125 million. So between now and the next decade, rate revenue requirements will increase by \$225 million, which must be addressed.

Chairman Dunphy asked how much the Authority expects to have in surplus at the end of the year. Ms. Potter stated MWRA is spending about \$4 million of its surplus for pre-purchases for FY05 and has made the assumption of a surplus of \$10 million, which it plans to shrink with a late June bond redemption transaction to show a smaller surplus. By making conservative assumptions about interest rates, MWRA is building in the potential for a measurable surplus, which might dampen the argument for debt service assistance needs.

Mr. Favaloro stated the Advisory Board's recommendations of nearly \$4 million could bring the rate increase for FY05 to 3.9%, plus debt service assistance receipts could bring the number to just under 3%. What are the long-term ramifications? With the assurance MWRA would receive debt service assistance, should the Advisory Board's

findings be utilized to reduce the amount of rate stabilization funds used for FY05 and spread those funds out to the later years to begin to impact some of the additional expenses that are coming?

Ms. Potter noted if the expected Senate number were to prevail (\$10 million, of which the Authority would be eligible for \$8.2 million) and the Advisory Board's recommendations had taken the increase to 3.9%, then the increase would be reduced to 2%. Is that number too low or should the MWRA take advantage of it or should the recommendations be used for planning projections to modify for the future?

Mr. Favaloro noted the Legislature is going to want to see the full value of debt service assistance show up on assessments to communities so they can take credit for it.

John Sullivan stated if we take the higher number now, we must ensure that debt service assistance monies are put into the rate stabilization fund. Bernie Cooper agreed that taking a bit of a hit now and assuring the debt service assistance monies flow into MWRA's reserves is a good idea. Mr. Favaloro stated politically, MWRA would lose the potential growth or maintenance of debt service assistance if the funds were placed into reserves. The legislators need to show their constituents they were able to reduce rates, especially in an election year. The debt service assistance monies should only be used to reduce rates so the legislature can get the full value of it. The number to play around with should be the number appearing in the Advisory Board's comments. If staff comes up with \$4 million in reductions, it should be used to reduce the use of rate stabilization funds for FY05.

Ms. Dunphy suggested recognizing the savings in Workers Compensation, but not being as strong in trying to cut the debt number. People have the conception the MWRA has finished its big spending, having completed Deer Island and nearing the end of the Water Treatment Plant. Then members look out and see the MWRA is planning to spend another \$1 billion every three years. Unless something changes, those rates will continue to climb.

Mr. Sullivan stated it is best to pace the increases so when communities have their own increases, the percentage number will be lower. It is a public relations issue.

Ms. Potter asked if members are saying we might take some specific reductions, perhaps from 4.7% to 4.3%, but not recommend as sharp a reduction in debt service.

Mr. Favaloro stated, as a strategy, the areas staff believes could have reductions should be identified. Instead of taking all the reductions off the bottom line, some of the recommendations could be used to offset the amount of money the Authority is using from rate stabilization funds.

Ms. Potter stated for the Capital Improvement Program (CIP), the Authority is considering the Advisory Board's recommendations, but has offered no feedback yet. MWRA has a spring revisit process to go through, together with absorbing changes in the CSO program. As part of the CIP process, the Authority will have to revise its actual

total costs, its assumptions about the pace of capital spending and the impact within the five-year cap period and the next five-year cap period as well.

The Authority's Board hearing on both the capital and current expense budgets is scheduled for June 2nd.

Lou Taverna asked if any progress has been made in creating a Master Planning Committee. Ms. Potter replied staff has not had any responses or discussion from the Authority on our extensive remarks about master planning.

V. Status: Wastewater Meter Replacement Program

Mr. Favaloro stated the first meter replacement took place the last day of March, therefore, the three-year averaging for community bills will commence on March 1st. Installations are currently taking place in Stoughton, Norwood and Canton. Communities should be receiving updates from the Authority. Mr. Sullivan stated the MWRA has not responded in writing to requests he had made for information. Mr. Favaloro stated the Authority needs to be tweaked on providing information to communities.

Ms. Potter stated the Authority experienced power interruptions to Deer Island from NStar twice in the last two weeks, once on April 3rd and once on Easter Sunday. The back up power did not kick on.

Mr. Carroll stated the Board heard a good explanation from John Vetere on what happened and suggested Mr. Vetere speak at the next Advisory Board meeting. The problems were on NStar's end, but processes at the Authority did not work well either.

On April 3rd, a leak in NStar's building allowed water to come down on breakers, and on Easter Sunday there was a fault in NStar's line. MWRA should seek reimbursement for these disruptions. The Authority pays NStar \$300,000 a year to maintain this building.

Joe Foti added the Authority has hired consultants to try to shorten the length of time it takes to restore power.

Jay Fink expressed concern regarding the Authority's notification procedures to communities. Quincy's personnel were trying to figure out why people's sewers were backing up. Eventually, an employee was told by the fire department that it was a failure at the MWRA. On the first power failure, Mr. Fink heard the news from Jay MacRitchie because the MWRA called the Board members. From an operational standpoint, if there is an issue at Deer Island, the proper personnel need to be notified. Mr. Favaloro noted the Authority's emergency manual identifies the contact person. For the most part, especially on weekends, the fire department is identified. Communities could request that the DPW Director be notified.

VI. Action Item: Interview/Nomination for Advisory Board Representative to the MWRA Board of Directors

Joe Foti expressed his desire to remain on the MWRA Board of Directors for another three-year term, stating, "It has been a thrill for me the last three years to serve on the

Board of Directors and I would love to continue. How fortunate I have been to have John Carroll and Andy Pappastergion to show me the ropes.”

A Motion was made **TO NOMINATE JOSEPH C. FOTI TO THE FULL ADVISORY BOARD TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2004 TO JUNE 30, 2007.** It was seconded and passed by unanimous vote.

VII. Approval of the Advisory Board Agenda for April 22, 2004

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE APRIL 22, 2004 MEETING.** It was seconded and passed by unanimous vote.

VIII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:35 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary