

## MWRA ADVISORY BOARD

*Summary of:*

### MWRA BOARD OF DIRECTORS' MEETING

June 23, 2004

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A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on **June 23, 2004** at the Charlestown Navy Yard. **Present:** Chair Ellen Roy Herzfelder; John Carroll, Andrew Pappastergion and Joseph Foti, Advisory Board Representatives; Lucile Hicks, Gubernatorial Appointee; Vincent Mannering, Kevin Cotter and Antonia Pollak, 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 Executive Director**

Executive Director Fred Laskey presented General Counsel Nancy Kurtz and Chief Financial Officer Ken Wissman with framed photographs signed by Board Members and coffee table books to acknowledge their final staff meeting before accepting early retirement.

Ms. Kurtz said she has had a wonderful fifteen years with the Authority. "We've been through so much and it has been a pleasure to serve the Board," she said. Mr. Wissman said, "I have had eighteen wonderful years here. It has really been a treat and a delight and I always got a fair hearing from the Board." Mr. Wissman said when he started working for the Authority, Boston was served by a leaky water pipe and Boston Harbor was an embarrassment. Now, he can sleep at night knowing the system has redundancy.

Board Member John Carroll noted Ms. Kurtz's excellent work and the affection and respect she earned from Judge Mazzone while working on the Boston Harbor cleanup. He said of Mr. Wissman, "I don't understand much of what he says, but I believe every word."

Mr. Laskey reported the legislature's Conference Committee allocated \$10 million in sewer rate relief statewide. The Watershed Protection Trust was also included in the Conference Committee's report and Mr. Laskey reported he is "cautiously optimistic" the Governor will not veto it. He said his staff is engaged in a "full court press" to ensure its survival. Chairwoman Ellen Roy Herzfelder said of the Trust, "We are optimistic about it."

With regard to the Deer Island power outages that occurred in April, Mr. Laskey reported all failed components have been replaced. Long term, staff will make sure a similar incident does not take place. There will be added security during the Democratic National Convention constituting a 'modified' orange alert level.

Mr. Laskey reported a sum of money has been recouped from CDM for design flaws at Walnut Hill.

## **APPROVALS**

### **Bond Defeasance of Future Debt Service**

The Board voted to authorize the Executive Director, Chief Financial Officer or Treasurer to enter into and execute all necessary agreements and other instruments to escrow to maturity up to \$22,335,000.00 of outstanding MWRA debt.

Mr. Wissman reported that with this transaction, the Authority will be able to reduce debt service by \$17.3 million in FY05. A reduction of another \$6.5 million is expected in FY06. "We tried to pick bonds that fit the needs of the Authority," he said. Mr. Mannering inquired about the cost of bond defeasance. Mr. Wissman said a verification report costs between \$2,000 and \$5,000. Ms. Hicks asked, "Is bond redemption a running account that we use all the time?" Mr. Hornbrook answered in the affirmative.

### **Approval of FY 2005 Capital Improvement Plan**

The Board voted to approve the FY05 Capital Improvement Program, with a budget of \$223.6 million for Fiscal Year 2005 and a five-year (FY04-08) spending cap of \$1.13 billion, and a ten-year budget of \$1.76 billion.

The Board further voted to approve the Response to the Advisory *Board's Comments and Recommendations* on MWRA's Proposed Fiscal Year 2005 Capital Improvement Program. As part of their review, the Advisory Board developed a response which involved 36 comments and recommendations of the \$31.8 million in non-planning stage projects the Authority agreed to \$23.8 million, or 75%, of the monetary recommendations

Staff noted this is the first capital budget without spending for the Boston Harbor Project. The FY05 CIP includes \$274 million in multi-yearfunding for work on eighteen new projects.

### **Approval of FY 2005 Current Expense Budget**

The Board voted to: (1) adopt the fiscal year 2005 Current Expense Budget with current revenue and expenses of \$492.6 million; (2) adopt the FY05 Operating Budget (Trustee's Budget); and (3) approve the Response to the Advisory Board's *Comments and Recommendations* on MWRA's Proposed Fiscal Year 2005 Current Expense Budget.

As part of their review, the Advisory Board developed 76 comments and recommendations, which included 61 monetary recommendations totaling \$11.2 million in expense reductions and \$2.0 million in additional revenue. MWRA has accepted nearly 80% of the recommended expense reductions and 95% of the additional revenue recommendations.

### **Adoption of FY05 Water and Sewer Assessments**

The Board voted to adopt the following, effective July 1, 2004, provided FY05 water and sewer assessments and the FY05 wholesale water rate shall be reduced to incorporate the impact of any sewer rate relief award received by MWRA in FY05: (1) Water assessments of \$134,324,541 and sewer assessments of \$318,675,472 for fiscal year 2005; (2) FY05 sewer assessments of \$500,000 for the Town of Clinton and \$99,319 for the Lancaster Sewer District; (3) FY05 water assessments of \$2,300,155 for Chicopee, \$503,836 for South Hadley Fire District #1, and \$437,656 for Wilbraham; (4) A wholesale water rate of \$1,811.45 per million gallons; and (5) an O&M water rate of \$825.61 per million gallons.

These rates are based on a 3.9% increase. If the \$10 million in statewide debt service assistance is approved, rates are expected to be reduced to 1.9%. The rate amounts to a 1.9% increase in rate revenue requirement. If the \$10 million in statewide debt service assistance is vetoed by the Governor and *not* overridden by the Legislature, then rates will remain at 3.9%. Staff explained the actual check will not be received by the Authority until the Spring of 2005. Mr. Carroll suggested once the FY05 Budget is passed, the Board should send a letter of appreciation to the Governor and the legislators. Mr. Laskey agreed.

### **Amend the Twenty-Seventh Supplemental Resolution, Tax Exempt Commercial Paper Series**

The Board voted to authorize the Executive Director, Chief Financial Officer or Treasurer, pursuant to the twenty-seventh Supplemental Resolution, to execute an extension of the irrevocable Letter of Credit with State Street Global Markets, LLC for up to five years for an annual fee not to exceed \$290,000.

### **Insurance Program for FY2005**

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute the following purchases of insurance policies and services for the period July 1, 2004 to June 30, 2005, in accordance with Selection Committee recommendations, for a combined amount of premiums and broker fees not to exceed \$1,600,000:

- (1) Workers Compensation Excess Policy – XL Specialty Insurance Company, \$25 Million Limit with \$500,000 Deductible; Premium \$194,768; Broker - Marsh USA;
- (2) Property Policy including Boiler & Machinery – FM Global; \$500 Million Limit with \$2.5 Million Deductible; Premium \$665,928;
- (3) General Liability Policy (including Automobile Liability, Protection & Indemnity, Wharfingers, Pollution Liability, Employment Practice, Fiduciary Liability and Public Officials Liability) – Aegis Insurance Co.; \$35 Million Limit with \$2.5 Million Deductible; Premium \$316,743; Broker – AON Risk Services of Massachusetts;
- (4) Public Officials/Crime Bond, Treasurers Bond - Insurer to be determined; Limit of \$1 Million; Premium estimate \$11,500; Broker – Marsh USA;
- (5) Umbrella/Excess Liability – Insurer to be determined; Limit of \$65 Million; Premium estimate \$292,500; Broker – AON Risk Services of Massachusetts;
- (6) Broker Service Agreements – MWRA will execute agreements with AON Risk Services, Inc. of Massachusetts for an amount estimated at \$60,975, and Marsh USA, Inc. estimated at \$21,202. These amounts will be adjusted based upon the final policy amounts.

(7) Additional Acquired locations and Policy Fee Adjustments – Insurance premiums will increase as MWRA accepts new locations during the year. In addition, minor adjustments may be made when policies are finalized. These costs are estimated not to exceed \$36,384.

Six months ago, staff estimated the cost of the insurance renewal at \$3-4 million. However, requests for bids created a lot of interest in the marketplace and bids came in lower than expected. Bids were in the neighborhood of \$1.6 million, as compared to last year's premium cost of \$920,000. Though this 70% increase seems substantial, estimates were in the range of a 300-400% increase.

A fixed-price six-year program had kept premiums artificially low. The new program will have similar limits, coverages and deductibles. Staff is not recommending any increase in self-insurance coverage at this time based on bids and current market conditions.

Ms. Hicks commented that the Authority's insurance consultant was "way off" on estimates. "Never did I think a 70% increase would look like a deal. Were we well served?" she asked.

Staff explained the estimates were done six months ago and the market has settled some since then. The Authority was able to attract the attention of the premier insurance provider of property insurance, FM Global.

A Board Member asked why the term is only one year. Staff explained no provider was willing to write a policy for longer.

#### **Authorization to Surplus Site on Washington Street, Quincy at FRSA**

The Board voted to authorize the Executive Director, on behalf of the Authority, to: (1) declare an approximately 16 acre parcel on Washington Street in Quincy as surplus to the construction, maintenance and operation of the sewer and waterworks systems; (2) support the legislation for the potential land sale of the 11.6 acre parcel to the MBTA as filed in the Transportation Bond Bill by the MBTA, and (3) authorize staff to begin the disposition process for the remaining 4.4 acre parcel.

#### **Authorization to Surplus a Portion of the Hyde Park Pump Station**

The Board voted to authorize the Executive Director, on behalf of the Authority, to declare approximately 15,087 square feet of land at the Hyde Park Pump Station in Hyde Park as surplus to the construction, maintenance and operation of the sewer and waterworks systems and return it to the control of the Division of Capital Asset Management.

Mr. Laskey explained Boston Edison has asked the Authority to surplus this site. In exchange, they will lease the Authority land in Chelsea behind their substation and contiguous to the Authority's parking lot. This will alleviate parking problems and storage needs.

Mr. MacRitchie commented the Authority will need to rebuild its pump station some day and asked if enough room is left on the parcel for this. Mr. Hornbrook said there is enough room for both staging and construction.

#### **Execution of a Lease in Chelsea with Boston Edison Company**

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a lease and other supporting documents with Boston Edison for 15,615 square feet in Chelsea.

**Memorandum of Understanding with Arlington Remedial Action Settlement Trust**

The Board voted to authorize the Executive Director, on behalf of the Authority, to enter into a Memorandum of Understanding with the Arlington Remedial Action Settlement Trust for work to be performed on MWRA's Mill Brook Valley Sewer and Millbrook Valley Relief Sewer in Arlington, MA.

**Addition of Sunset Provisions to the MWRA I/I Local Financial Assistance Program**

The Board voted to approve revisions to the MWRA Infiltration/Inflow (I/I) Local Financial Assistance (grant/loan) Program guidelines to add sunset dates for the grant portion of community financial assistance allocations as recommended by the MWRA Advisory Board.

**Addition of Lead Service Replacements to Local Pipeline Assistance Program**

The Board voted to approve revisions to the Local Pipeline Assistance Program guidelines to make the identification, inspection, and replacement of lead water services an eligible cost for community financial assistance.

**Extension of Memorandum of Agreement with Town of Weston**

The Board voted to authorize the Executive Director to extend the term of the Memorandum of Agreement with the Town of Weston for the Town to assume maintenance responsibilities of approximately 220 acres of reservoir land surrounding the Weston Reservoir for a term of five years beginning July 1, 2004.

**Appointment of Database Analyst Programmer, MIS Department**

The Board voted to approve the Executive Director's recommendation to appoint Maria Acierno to the position of Database Analyst Programmer in the MIS Department at an annual salary of \$76,211.00 to be effective on the date designated by the Executive Director.

Board Member Joseph Foti said he received a letter from laid-off MWRA employees regarding job openings and asked if the recall list had been checked for qualified persons. Kate Murray said she did check the list, and does so regularly, but nobody was qualified.

The President of the Unit 6, Richard Joyce, said there has been silence on this issue from the Authority. He referenced vacant bargaining unit positions and said the simple courtesy of notifying him that the list has been checked is in order. Ms. Murray said she would directly communicate with Mr. Joyce on every Unit 6 position she proceeds to fill.

**Appointment of Program Manager, MIS Department**

The Board voted to approve the Executive Director's recommendation to appoint Marie Perfetti to the position of Program Manager, MIS Operations in the MIS Department, at an annual salary of \$77,428.00 to be effective on the date designated by the Executive Director.

**Appointment of Program Manager, Safety/Security, Human Resources Department**

The Board voted to approve the Executive Director's recommendation to appoint Paul DiLuca to the position of Program Manager, Safety & Security in the Human Resources Department at an annual salary of \$76,435.00 to be effective on the date designated by the Executive Director.

**Appointment of Treasurer, Finance Division**

The Board voted to approve the Executive Director's recommendation to appoint Patricia A. Filippone to the position of Treasurer in the Finance Division at an annual salary of \$109,105.00 to be effective on the date designated by the Executive Director. Further, in accordance with Article IV, Section 1 of the MWRA bylaws, to appoint Patricia A. Filippone as Treasurer of the Board of Directors.

Mr. Laskey said this is a "major appointment." He added, "Trish has served the Authority well as controller, and this new appointment comes at the strong recommendation of the outgoing CFO (Ken Wissman) and many others who have come to know and trust her."

Mr. Wissman's replacement, Laura Guadagno, thanked Mr. Wissman for helping integrate her into her position. She said the position of Treasurer is an important part of her new team.

**Appointment of Budget Director, Finance Division**

The Board voted to approve the Executive Director's recommendation to appoint Carl Erickson to the position of Budget Director in the Finance Division at an annual salary of \$90,000.00 to be effective on the date designated by the Executive Director.

Mr. Laskey said, "Carl has earned his stripes. He is one of the hardest working, most sincere employees we have. He has earned the respect of the Advisory Board and staff, he knows his business and he will serve us well."

**Appointment of Program Manager, SCADA Engineering, Field Operations Department**

The Board voted to approve the Executive Director's recommendation to appoint Dan Tran to the position of Program Manager, SCADA Engineering in the Field Operations Department at an annual salary of \$76,435.32 to be effective July 1, 2004.

**Appointment of Program Manager, PICS, Deer Island**

The Board voted to approve the Executive Director's recommendation to appoint Patrick Phillips to the position of Program Manager, PICS at the Deer Island Wastewater Treatment Plant at an annual salary of \$76,435.32 to be effective July 1, 2004.

**June PCR Amendments - FY2004**

The Board voted to approve amendments to the Position Control Register. The annualized budget impact of these changes would theoretically range from costs of \$24,844 to a cost of \$67,687, and will likely be in the middle of the theoretical range.

Those with potential financial impact are as follows:

<b>Current Title</b>	<b>Amended Title</b>	<b>Financial Impact</b>
Project Manager	Program Manager, Reservoir Operations	\$2,972 - \$2,972
Senior Clerk	Receptionist/Secretary II	\$1,627 - \$1,627
Principal Clerk	Secretary I	\$1,997 - \$1,997
Administrative Systems Coordinator	Supervisor, Administrative Support	\$3,110 - \$3,110
Skilled Laborer	Trades Foreman	\$8,922 - \$24,334

Project Engineer	Project Manager, Process Control	\$2,496 - \$20,092
Project Engineer I/I	Project Manager	\$4,306 - \$4,306

### **FY2004 Non-Union Compensation**

The Board voted to take the following actions in MWRA's FY2004 Non-Union Compensation Program: (1) Approve a revision (based on inflationary adjustments) to the non-union salary ranges for FY2004; (2) Authorize the Executive Director to implement a 2% cost-of-living increase for non-union managers for FY2004 effective on their FY2004 anniversary dates; and (3) Authorize the Executive Director to review the Non-Union Compensation Program during FY2005 and recommend any required changes for Board approval.

The 2% COLA for non-union employees will be retroactive to FY04. Mr. Mannering asked why there are no merit increases. "Isn't the union in merit-based negotiations?" he asked. Mr. Laskey said the 2% COLA seemed reasonable in light of the FY03 freeze. Mr. MacRitchie asked how many employees accepting early retirement are eligible for the retroactive increase. Staff said three, though one retired before his/her anniversary date and will therefore not be entitled to the increase. Chairwoman Herzfelder added, "Merit-based increases are definitely the way to go with managers."

## **CONTRACT AWARDS**

### **Renewal of Contract for Wastewater Advisory Committee**

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute a contract with the Wastewater Advisory Committee for a one-year period beginning on July 1, 2004 at a cost of \$52,900.00.

Ms. Hicks commented on the list of tasks to be accomplished by the Committee and suggested it is a lot for one part-time person. Ms. Heidell explained volunteer membership does some of the tasks and only the Executive Director position is paid.

### **Centrifuge Maintenance, Deer Island Wastewater Treatment Plant: Alfa Laval, Inc., Contract S391, Contract Award and Change Order 1**

The Board voted to ratify the Executive Director's award, dated April 13, 2004, of Contract S391, Centrifuge Maintenance, Deer Island Wastewater Treatment Plant, to the lowest responsive bidder, Alfa Laval, Inc., in an amount not to exceed \$213,000.00 for a term of 365 days from the Notice to Proceed.

The Board voted further, to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 1 to increase the amount of Contract No. S391 with Alfa Laval, Inc., in an amount not to exceed \$66,000.

### **Deer Island Wastewater Treatment Plant Ancillary Modifications 2-2, Resident Engineering Services: Plant Electric Services, Contract 6768**

The Board voted to approve the recommendation of the Consultant Selection Panel to select Plant Electric Services to provide resident engineering services in connection with Ancillary Modifications

2-2, and to authorize the Executive Director, on behalf of the Authority, to execute a contract with Plant Electric Services in an amount not to exceed \$525,747.00 for a term of 970 days from the Notice to Proceed.

**Deer Island Treatment Plant Ancillary Modifications 1: J.F. White Contracting Co., Contract 6499**

The Board voted to approve the award of Contract No. 6499, Deer Island Ancillary Modifications 1, to the lowest responsive bidder, J. F. White Contracting Company, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$9,503,900.00 for a term of 540 calendar days from the Notice to Proceed.

Staff explained engineering estimates were short on this contract. Steel prices have skyrocketed and this is a very heavy job. Ms. Hicks asked if the Board will be seeing these improvement contracts every year and if there is a total figure in mind. John Vetere said this is part of a long-term ancillary modification program. There are also technological improvements being incorporated into the plant's design. In the future, the program will concentrate on odor control and the secondary portion of the plant. The goal is to stabilize this expense in the future.

**Deer Island Wastewater Treatment Plant/Biosolids Processing Facility Environmental Compliance Assistance: Contract A462, Woodward & Curran**

The Board voted (with two dissenting votes: Board Members Lucile Hicks and Antonia Pollak) to approve the award of a contract for environmental compliance assistance services to Woodward & Curran and to authorize the Executive Director, on behalf of the Authority, to execute a contract with Woodward & Curran in an amount not to exceed \$313,542 for a term of 39 months from the Notice to Proceed.

Mr. Mannering asked why staff chose to award the contract to TRC Environmental Corporation when there was a lower bid. Staff explained the lower bidder (Woodward & Curran) had fewer hours included in their bid. With TRC, a 6% increase in bid amount yields 18% more hours. Staff thought this was a better deal.

The Wastewater Policy & Oversight Committee voted against staff's recommendation to grant the Contract to TRC Environmental Corporation and instead chose the lower bidder, Woodward & Curran.

Ms. Hicks, troubled by the switch, said she hoped the Board would reconsider. Woodward & Curran was ranked by staff as third most qualified out of four. Board Member Andrew Pappastergion agreed with Ms. Hicks.

**Chestnut Hill Connecting Mains - Final Pipe Connections: Metcalf & Eddy, Inc., Contract 6301**

At the request of Mr. Laskey, the matter was postponed to July 21, 2004 Board Meeting.

**Walnut Hill Water Treatment Plant - Final Site Work WHCP-6: Roads Corporation, Contract 6491**

The Board voted to approve the award of Contract No. 6491, Walnut Hill Water Treatment Plant Final Site Work, to the lowest responsive bidder, Roads Corporation, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$3,603,280 for a term of 1,220 calendar days from the Notice to Proceed.

**Employee Assistance Program: Life Watch, Contract A457**



The Board voted to approve the award of a contract for Employee Assistance Program Services to Life Watch, and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in an amount not to exceed \$24,000.00 for a one-year period commencing July 1, 2004, with an option to renew the contract, exercisable at the discretion of the Executive Director, for a single additional three-year period at a not to exceed amount of \$76,420 for the three-year period.

Mr. MacRitchie pointed out the selection Committee had recommended a different company which previously held the contract for this service. Staff explained this was an unusual situation. Director of Procurement, Kevin Feeley, said he was bothered by the results of the procurement. He sat with the Committee, reviewed their actions, and felt the low bidder (Life Watch) could do the job. Therefore, it was in the best interests of the Authority to override the Committee. He met with the vendor to make sure they understood the scope of the job and they did.

Mr. MacRitchie asked if staff gives a "huge leg up to incumbents" by factoring in experience while evaluating. Staff said experience with the Authority as well as experience with the business is important.

## **CONTRACT AMENDMENTS/CHANGE ORDERS**

### **Audit Services: KPMG LLP, Contract A389, Amendment 1**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 1 to extend the time for completion of Contract No. A389 with KPMG LLP, Audit and Related Accounting Services, by twelve months to December 31, 2004.

KPMG's original contract was awarded in 1999 for four years including an option for a one-year extension. The fixed cost of \$104,000 represents a 4% increase from FY2003 and is included in the total contract amount awarded in 1999.

### **Braintree-Weymouth Replacement Pump Station & Interceptors: Metcalf & Eddy, Contract 5331, Amendment 8**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 8 to increase the amount of Contract No. 5331 with Metcalf & Eddy, Inc., Braintree-Weymouth Replacement Pump Station and Interceptors, in an amount not to exceed \$1,017,000 and to extend the time for completion by 639 calendar days to April 30, 2008.

The original amount of this Contract was \$4,730,036.87. Amendment 8, in the amount of \$1,017,000, brings the cumulative value for all change orders to \$10,511,263.66. The adjusted subphase total contract amount is \$15,241,300.53. Due to changes in project configuration, sequencing, instruction techniques, and schedule, the design cost schedule have changed measurably.

### **Union Park Detention/Treatment Facility: Metcalf & Eddy, Contract 6264, Amendment 3**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 3 to increase the amount of Contract No. 6264 with Metcalf & Eddy, Inc., Union Park Detention/Treatment Facility, in an amount not to exceed \$803,740.00 and to extend the time for completion by four months to January 31, 2007.

The original Contract amount was \$5,477,420. Amendment 3, in the amount of \$803,740, brings the

cumulative value of all change orders to \$2,015,036, reflecting the complexity of working with the upgrade and reconstructing an older facility built on the foundation of a still-older facility. The adjusted subphase total is \$7,492,456.

**Walnut Hill Water Treatment Plant – Ozonation Treatment Facilities: Barletta-Shea, J.V., Contract 6489, Change Order 78**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 78 to increase the amount of Contract No. 6489 with Barletta-Shea, JV, Walnut Hill Water Treatment Plant – Ozonation Treatment Facilities, in an amount not to exceed \$435,800.00.

The original Contract amount was \$116,844,000. Change Order 78, in the amount of \$435,800, brings the cumulative total for all change orders to \$14,409,587, or 12.3% of the original Contract amount. The adjusted subphase total is \$131,253,587, or \$3,250,587 over budget.

**Walnut Hill Water Treatment Plant – Ozonation Treatment Facilities: Barletta-Shea, J.V., Contract 6489, Change Order 79**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 79 to increase the amount of Contract No. 6489 with Barletta-Shea, JV, Walnut Hill Water Treatment Plant – Ozonation Treatment Facilities, in an amount not to exceed \$567,765.00.

The Board further voted to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6489 in amounts not to exceed the aggregate of \$375,000.00 and 180 calendar days.

The original Contract amount was \$116,844,000. Change Order 79, in the amount of \$567,765, brings the cumulative total for all change orders to \$14,977,352, or 12.8% of the original Contract. The adjusted subphase total is \$131,821,352, or \$3,818,352 over budget. Work on this Contract is 92.5% complete.

**Southern Spine Water Mains Rehabilitation - Section 22 South: J. Fletcher Creamer & Sons, Inc., Contract 6292, Change Order 1**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 1 to increase the amount of Contract No. 6292 with J. Fletcher Creamer & Son, Inc., Southern Spine Water Mains Rehabilitation – Section 22 South, in an amount not to exceed \$1,400,000 and to extend the time for completion up to 115 calendar days to June 1, 2005.

This is one of two contracts to rehabilitate Section 22. The scope includes cleaning and lining the section, which was found to be in worse condition than initially thought. Staff recommended spending money to re-lay the pipe.

Stray current was found in the area through conductivity testing in the soil. This may have contributed to the corrosion of the pipe. Nobody seems to know why the current is there since there is no high voltage in the area. There is also a higher water table where this section of pipe is located. The pipe will be isolated from the soil with a polyethylene bag.

The original Contract amount was \$4,075,842. Change Order 1 equals 34.35% of the original Contract amount. Including Change Order 1, the adjusted subphase total is \$5,475,842, or \$1,400,000 over

budget.

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

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 12 to increase the amount of Contract No. 6381 with P. Gioioso & Sons, Inc., Spot Pond Supply Mains, Section 4, 5, 6, 7, 11, 12, 16W, 57 and 67, in an amount not to exceed \$325,000.

The Board further voted to authorize the Executive Director, on behalf of the Authority, to approve additional change orders as may be needed to Contract No. 6381 in amounts not to exceed the aggregate of \$250,000.00 and 180 calendar days.

The original Contract amount was \$19,483,200. Change Order 12, in the amount of \$325,000, brings the cumulative total for all change orders to \$1,620,273.45. The adjusted subphase total is \$21,103,473.45, or \$264,473.45 over budget.

**Evaluation of Ultraviolet Disinfection Treatment: CH2M Hill, Contract 6804, Amendment 1**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 1 to extend the time for completion of Contract No. 6804 with CH2M Hill, Inc., Evaluation of Ultraviolet Disinfection Treatment, by 365 days to July 15, 2005. This is a time-only extension with no change in Contract amount.

**Chicopee Valley Aqueduct Pipeline Redundancy Project: Tighe & Bond, Inc., Contract 6527, Amendment 3**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 3 to increase the amount of Contract No. 6527 with Tighe & Bond, Inc., Chicopee Valley Aqueduct Pipeline Redundancy Project, in the amount of \$164,000.

The original Contract amount was \$1,345,741.07. Change Order 3, in the amount of \$164,000, brings the cumulative value of all change orders to \$514,629.96. The adjusted subphase total is \$1,860,371.03.

## **INFORMATION**

**Progress Update on Memorandum of Understanding (MOU) with the Department of Conservation and Recreation (DCR)**

Pam Heidell told the Board a Work Plan for FY05 has been prepared by DCR in consultation with MWRA. A first draft was submitted in June and is now being updated to incorporate recommendations and advice. The Plan includes over 200 tasks, a detailed staffing plan and budgets broken down by operational costs. Further discussions will take place before the Work Plan is adopted.

The MOU calls for the Quabbin lab to become the responsibility of the MWRA. The transition is on target for completion by July 1. Ms. Heidell said the Authority is in information-gathering mode with regard to the takeover of capital maintenance of dams. She said there is a great spirit of cooperation and staff hope to be working on the FY06 Work Plan shortly.

Mike Hornbrook said the Authority is currently in a transition period adding, "The cooperation has

been good." The *operations* piece of the Work Plan is going well. The *systems* piece is still being worked on. Mr. Pappastergion suggested the Authority exercise its right, through section 8.2 of the MOU, to examine the books of the Department of Conservation and Recreation. "Why don't we send our people in and help them out?" he asked. Mr. Hornbrook said they are still transitioning between the two accounting systems and it would be difficult to compare.

#### **FY 2005 MWRA Retirement System COLA**

Staff reported the MWRA Retirement System notified the Authority that adoption of a cost of living adjustment was under consideration for FY05 and was on the agenda for the System's June 16 meeting. A survey of the other 106 Massachusetts retirement boards found that over 90 systems had adopted a 3% COLA. The FY05 CEB is based on an actuarial study that assumes a 3% COLA; therefore, adoption of a 3% COLA will not increase the FY05 retirement expense.

Board Member Jay MacRitchie explained the COLA needs to be in place by July 1. The 3% COLA is applied to the first \$12,000 of a retiree's pension.

#### **MWRA CSO Control Program: Economic Impact Analysis**

Authority staff reported that for most receiving waters were MWRA's recommended CSO control plan does not completely eliminate CSO discharges it is necessary to perform a "Use Attainability Analysis" under EPA guidelines demonstrating that the added cost to achieve elimination would have "substantial and widespread social and economic impact." Until a threshold defined by EPA (sewer rates which reach 2% of median household income) is reached, EPA will usually require additional spending on CSO control, even if the added spending does not result in material improvements in water quality.

EPA has suggested that MWRA's proposed CSO control plans for the Charles River, Alewife Brook/Mystic River and East Boston may not be sufficient and that further CSO control may be necessary, with potential cost increases ranging up to \$200 to \$300 million. MWRA staff believe the analysis has shown that additional CSO control for these receiving waters will not result in water quality improvements due to non-CSO sources. Also, existing and projected sewer rates within the MWRA service area meet EPA economic guidance allowing limited CSO discharges in these receiving waters.

A comprehensive assessment of the economic impact of MWRA sewer rates has recently been completed. The analysis confirms EPA's finding of widespread social and economic impact for 1997 and concludes that the economic burden from shelter cost in the MWRA service area already exceeds the burden that would be associated with reaching the 2% threshold in almost any other metropolitan area in the United States. This is based on current sewer rates which are projected to continue rising over the foreseeable future.

Mr. Laskey said it is the EPA's position that the Authority can afford to spend more money on CSO control. Authority staff however, believe spending more would have no additional benefit and there is empirical data proving the Authority cannot afford to spend more. EPA and the Authority staff expect to look at these issues globally.

Mr. MacRitchie asked if the EPA had ever accepted an alternative analysis. Mr. Hornbrook said, "No, the Authority is cutting new ground." Mr. Laskey emphasized that additional costs could easily exceed \$300 million. Kevin Cotter commented, "We have one of the highest sewer rates in the country. If we don't qualify, who does?"

## **OTHER BUSINESS**

### **Executive Director's Performance Review and Contract Extension**

The Board rated Mr. Laskey's performance from June 4, 2003 to June 3, 2004 as *outstanding*. The Board also extended the Executive Director's employment agreement and appointment as Executive Director one additional year to June 3, 2007, and increased his salary by 2%. Performance review categories are: *below, meets, exceeds, and outstanding*.

Mr. Mannering said 2% is low. Mr. Laskey replied, "2% is more than generous."

### **Extension of Contract for Chief Operating Officer**

The Board authorized a 2% cost of living increase and extended Michael Hornbrook's contract for one year to May 31, 2007.

### **Appointment of MWRA Retirement Board Member**

The Board appointed Laura Guadagno to the MWRA Retirement Board for a three-year term beginning July 1, 2004.

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