

EXECUTIVE COMMITTEE MEETING
June 11, 2004
Minutes Approved at the October 15, 2004 Meeting

Present: John Sanchez, ARLINGTON; John Sullivan, BOSTON; Ed Sullivan, CANTON; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Walter Woods, WELLESLEY.

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

I. Approval of the May 14, 2004 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting, held at the Advisory Board office, to order at 8:40 a.m. A Motion was made **TO APPROVE THE MAY 14, 2004 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Legislative Update

Executive Director Joe Favaloro stated there are currently three legislative pieces in play. The first is Debt Service Assistance. The House Budget included \$5 million and the Senate \$10 million for Debt Service Assistance. There is growing optimism the final number will be \$10 million.

The second item relates to the creation of a Statutory Trust for operation of the Division of Water Supply Protection (DWSP). The Trust was included in the Senate's version of the FY05 Budget. Staff believes the Trust language will get through the Conference Committee. The central Massachusetts legislative delegation has weighed in with its support via a letter with their signatures, led by Representative Thomas Petrolati. Senator Brewer has championed this cause. Mass Audubon, once adamantly opposed to the Trust, has made it one of its top priorities and the MWRA Legislative Caucus has been active in drawing support.

The current stumbling block for the Statutory Trust is the Administration. Staff has heard the Administration & Finance Division (A&F), led by Secretary Eric Kriss, is opposed to any Trust. However, in a conversation with Senator Brewer, Mr. Kriss has indicated he would "leave the Trust alone". Additionally, Senator Brewer telephoned Doug Foy, Secretary of the Office of Commonwealth Development, who has indicated he is 100% in support of the creation of this Trust.

As relates to the Department of Conservation & Recreation (DCR), it is now June 11th and the MWRA has yet to see the January bill or any documentation. DCR has not hired one individual this entire fiscal year.

Since the House version of the budget has DCR as part of the State Budget, there were earmarks taking money out of that line item. Staff did not fight any of them, simply allowing the line item to be depleted as much as possible. If the line item exists in July, when the FY05 Budget is finalized, the legislators would have to come up with more funding.

The Senate included the Trust in its version of the FY05 Budget, thereby taking the funding off budget. The line item was reduced from \$11 million to \$1 million. If the Senate language comes out of the Conference Committee, the Governor can veto it, but he cannot add money to a line item. There will be no money for the DWSP if the House version prevails. This almost forces the Governor not to veto the line item.

The third issue is the transfer of care, custody, control and title of Saugus pipes on Routes 1 and 99 to the MWRA. This transfer language was added to the House version of the FY05 Budget via an amendment offered by Representative Falzone of Saugus. Rep. Falzone estimates a price tag of \$6 million for the project. Staff was able to include language on the Senate side allowing Saugus interest-free loans from the Authority from the Local Water Pipeline Assistance Program and directing the State Highway Department to pay for all engineering, designs, easements and police details during construction. As requested by House Ways & Means Chairman John Rogers, a meeting was held with Rep. Falzone, Sen. McGee, the Town of Saugus, the MWRA, the Advisory Board and the Highway Department to discuss any common ground. The Town Manager of Saugus, at that meeting, stated the cost of the project would be \$14 million. Up until that point, the Highway Department had been willing to pay for the engineering and design. The meeting adjourned with a request that real numbers for the cost of the project be established. Yesterday, Camp Dresser McKee, Inc. submitted an estimate of \$22 million for the project. Staff has focused its attention now in communicating to Chairman Rogers office that this item should not survive the Conference Committee.

Andrew Pappastergion asked what would happen if the language makes it through Conference Committee. Mr. Favaloro responded staff has begun to build a relationship with the Highway Department. Together, the two organizations would aggressively lobby the Governor to veto the initiative. If the Senate language goes through, Mass. Highway would be 'on the hook' for almost \$8 million. If the House language is approved, a swell of anger must be directed at the legislature to have it undone. Further, a "Retail Water District" should be created for anyone receiving water from that line to pay direct and indirect costs for its operation. These rates would be 10 to 20-fold higher because there would be a small rate base with a huge amount of dollars associated with it. John Sullivan suggested this might cause another amendment. Mr. Favaloro noted the MWRA Caucus has been up in arms over this, so it is unlikely they would commit to an amendment that would not force Saugus to pay. Additionally, Saugus pipes, in the mix of MWRA capital projects, would be a very low priority. In a ranking of communities by rates, Saugus ranks 51st.

Because the Trial Lawyers Association is a very strong lobby, and many House members are trial lawyers, staff does not believe the Tort Liability language will make it through Conference Committee.

III. Update: CIP/CEB Budget Process

Cornelia Potter stated the Board of Directors met June 2nd to discuss both the Capital and Current Expense Budgets. Notable areas of disagreement with the Authority's proposed budget centered around concerns of the CSO Project taking on responsibility for stormwater and setting

a precedent. The Advisory Board is also concerned about the absence of progress on master planning and pushed for setting the next five-year cap as soon as possible, preferably this spring.

The Authority opted to accept many of the Advisory Board's recommendations regarding master planning, committing to develop a master plan in just two years. With a number of interim deliverables, at a minimum, the head of the Planning Department must give quarterly reports to the Board of Directors. Interestingly, MWRA has acknowledged the master plan, in some form, must be prepared faster than two years from now because MWRA has committed to setting up the next cap as part of the fiscal 2007 process, which is finalized in the spring of 2006.

With regard to stormwater, MWRA's draft response to the Advisory Board's recommendations indicates their own internal and external legal advisers say the South Boston Project does not constitute a precedent for acceptance of stormwater into other CSO Projects. During the course of the hearing last week, a Board member requested the Authority be sure they get those assurances in writing. The Advisory Board would like the Authority to get at least three letters – one from their own general counsel, one from their external adviser and one from the court.

The MWRA has committed to setting the next cap as part of the spring 2006 budget process. Therefore, the Authority must develop a budget to work with within fifteen to seventeen months in order to finalize the proposed budget in time for the Board to authorize transmittal of the draft CIP.

John Sullivan asked if the Authority considers a 20-year horizon appropriate for master planning. Ms. Potter replied in the affirmative. Scenarios that carry beyond the 20-year timeframe would be in a narrative form, such as the status of other major assets.

Ms. Potter said, in terms of the numbers of the non-planning conceptual projects and recommendations staff addressed, there were about \$32 million in recommendations. The Authority accepted \$24 million of those recommendations, but added more than twice that amount back (\$55 million), including \$52 million in additional CSO costs, for a total net change over the multi-year CIP of \$31 million.

For the period through FY08, the Authority reduced spending by \$83 million, most of which slid into the second five-year period, FY09-13. The Authority has begun to use some familiar words, such as determining predictable, sustainable, affordable and responsible levels of reinvestment.

The major priorities for next year's capital program are to finish the construction and start up of three major facilities, including the Walnut Hill Water Treatment Plant, the Braintree-Weymouth Tunnel and the Intermediate Pump Station, which is also part of the Braintree-Weymouth project. Additionally, MWRA expects to award several major construction contracts and to continue to define its long-term needs. The Authority has identified cost risks to the capital program, including additional CSO costs for East Boston and Cottage Farm (Charles River), and potential future regulatory requirements such as additional water treatment, as well as increases due to inflation. These are costs that are not in the currently defined capital program, but are out there.

Much of the lower spending during the cap period has been pushed into the next five-year period, increasing the average capital spending for the second five years from \$750 million to

\$850 million, with the average annual rate of expenditure projected from \$150 million to \$170 million. The reason the Advisory Board is so concerned about setting the next cap sooner, rather than later, is just these kinds of predictable cost increases.

In the Current Expense Budget (CEB) the Authority essentially agreed with major themes of the Advisory Board's comments, such as: using \$11+ million in revised spending and non-rate revenue assumptions, using \$3.5 million to bring the rate increase down to just below 4%, and reserving another \$7.7 million originally proposed from rate stabilization funds for future years. For Insurance, the Authority has taken a different tack and made up the difference by using bond redemption funds.

Since the June 2nd meeting, MWRA has proposed further reductions to insurance costs but is consistent with obtaining the same level of retention of the current Insurance program. In other words, the bids came in low. The bids included a form of terrorism insurance, which MWRA had not expected to be able to get. For those reasons, staff recommended acceptance of the lowest bidder.

Authority staff reports that award of this contract with the insurance provider is for just one year, unlike in the past, where MWRA had three-year contracts with the option to renew. The Authority will have a chance to rethink and rescope its needs in the future and start moving toward greater levels of self-retention.

MWRA is planning to defease more debt than had been proposed in the draft budget. This would provide some net reductions from the FY06 budget, as well as the FY05 budget. Debt Service Assistance (DSA) will not be counted until it is received. DSA will be reflected in lower billings to communities upon receipt.

The Authority will recommend to the Board a final FY05 Current Expense Budget that will require rate revenue of \$453 million, or a 3.9% increase over FY04.

IV. Status: CSO Plans

Mr. Favaloro stated the CSO issue will be on the table for the next decade. Because of the cancellation of the June 9th Board meeting, the Board will not see the results of the Affordability Study until the June 23rd meeting. The Authority and Advisory Board worked cooperatively to create a framework for discussions with the regulators on affordability in the Greater Boston area.

Fred Laskey and Michael Hornbrook took their holistic approach for the CSO plan to Robert Varney at the Environmental Protection Agency. Because the MWRA went the 'extra mile' in making the North Dorchester Bay project more expansive in dealing with stormwater that was not part of the original plan, the price increased considerably. The Conservation Law Foundation (CLF) has raised concern relating to Pattens Cove, which would now be the new discharge point for stormwater. CLF is leading the charge for communities that feel they were not informed on what the impacts are for Pattens Cove.

V. Status: Lead/Copper Education Program

Mr. Favaloro stated the Advisory Board's recommendation to expand eligibility for the Local Water Pipeline Assistance Program to include lead service replacements will go before the MWRA Board of Directors on June 23rd. MWRA's initial actions will relate to fulfilling regulatory

requirements in relation to violations of the lead/copper rule for ten communities, including public service announcements. When the requirements are complete, the Authority will work on educational pieces for local communities on lead and copper.

VI. Walnut Hill Water Treatment Plant Start Up

Ryan Ferrara stated the MetroWest Tunnel is 100% complete and is now in service. As of the end of May 2004, construction on the ozonation plant is approximately 93% complete, with operational testing scheduled for March. Functional testing of equipment is scheduled for August to December 2004. From October through February 2005, the plant will be tested in separate halves, and from March through August 2005, reliability testing will take place. MWRA is on schedule to meet the consent order dates.

As of March 31, 2004, the Norumbega Covered Storage Project is 92% complete. Cells 2 and 3 and the influent and effluent channels have been in operation since November of 2003. Tank 1 was disinfected and filled on June 8th. Samples have been taken and the results are pending. With the filling of the final cell, all three cells will be up and running. The open Norumbega Reservoir has been taken offline and will serve as backup for the Norumbega Covered Storage facility.

The start-up team is meeting weekly to coordinate the start-up process. Monthly meetings with the construction management team are taking place to ensure a smooth transition and keep the project on schedule.

VII. Suggestions/Ideas for Advisory Board Annual Field Trip

Mr. Favaloro noted the Advisory Board's Annual Field Trip is scheduled for August 19th. Deer Island, still the single largest investment MWRA has made, will be the destination.

Lou Taverna suggested a presentation on the Facilities Asset Management Program might be interesting. Mr. Favaloro agreed and noted time would be spent on energy use and what has changed at Deer Island since the Advisory Board's last visit five years ago.

VIII. Approval of the Advisory Board Agenda for June 17, 2004

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE JUNE 17, 2004 MEETING**. It was seconded and passed by unanimous vote.

IX. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:51 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary