

EXECUTIVE COMMITTEE MEETING
September 10, 2004
Minutes Approved at the October 15, 2004 Meeting

Present: John Sullivan, BOSTON; Ed Sullivan, CANTON; William Hadley, LEXINGTON; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Lawrence Barrett, STOUGHTON; Walter Woods, WELLESLEY.

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

I. Welcome

Chairman Katherine Haynes Dunphy called the meeting, held at the Advisory Board office, to order at 8:35 a.m.

II. Action Item: FY05 Executive Committee

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

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

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

*New member for FY05.

A Motion was made **TO SUBMIT THE LIST OF NOMINEES TO SERVE AS THE MWRA ADVISORY BOARD EXECUTIVE COMMITTEE FOR FY05 TO THE FULL ADVISORY BOARD.** It was seconded and passed by unanimous vote.

III. Updates/Flagging Issues for FY05

- **CSOs – Holistic Approach**

Advisory Board Executive Director Joe Favaloro stated through discussions of the Board and transmittals to the Court, the Authority has presented its approach for a tunnel 17 feet in diameter along the South Boston shoreline for North Dorchester Bay and the beaches of Boston, which includes stormwater capture. There are other basins and other CSO projects, including East Boston, Alewife and Charles River, which will not be going away.

The Authority has held discussions with the regulators on its proposed “holistic” approach. Based on a meeting between the Authority, DEP and EPA, Mr. Favaloro believes there are holes in the holistic approach that will keep CSOs on the radar screen for a long time.

EPA will say they are comfortable with the Authority’s approach on Alewife, but not happy with the Charles. DEP will say they are okay with the Charles and not happy with Alewife. The end result leads to continuing attempts to raise the bar beyond reasonable.

EPA cautioned the Authority about using the economic analysis completed by Dr. Stavins that showed significant economic impacts based on the cost of CSOs and other expenditures. EPA noted different experts will give different results.

MWRA discussions with DEP over the summer centered on the continuation of the variance for Alewife and the Authority moving forward with its current plan. DEP went on to say the MWRA should work to find additional ways to make improvements. Both the Advisory Board and the Authority have said if the plan is not good enough, MWRA should stop. When an acceptable plan is developed, then MWRA should continue. The Advisory Board never believed there is a holistic approach in place.

Save the Harbor/Save the Bay initially expressed concern about stormwater at North Dorchester Bay; now their interests have turned to the Fort Point Channel and other locations. Mr. Favaloro stated the Authority crossed the stormwater line and now the MWRA has to get back on the other side of it.

Chairman Dunphy stated there was discussion that MWRA had an understanding with EPA that taking the stormwater at North Dorchester Bay would not set a precedent and the Board requested that understanding in writing. Mr. Favaloro said staff will request its Board members to ask MWRA staff where they stand in getting those commitments from the regulators as they relate to stormwater.

Mr. Favaloro stated the agreement Cambridge and MWRA had on who would pay what in their joint project is beginning to fall apart as well. The price tag keeps going up and Cambridge says they do not have the money. The Authority’s exposure has potentially been increased.

John Sullivan noted his agreement that there appears to be a game where DEP is on our side and EPA says they will take a look. Further, the East Boston project has disappeared from the radar screen, which makes Mr. Sullivan believe the price tag is high.

- **Algae**

Mr. Favaloro said algae was a significant problem for the MWRA this past summer. Usual remedies employed by the Authority were unsuccessful; however, at the end of last week, the Authority informed the Advisory Board that the problem seems to be solved for this season. Staff has asked

the Authority to make a presentation at the Advisory Board meeting to explain what steps the Authority will take the next time it occurs and what lessons they have learned to ensure they will remain ahead of the algae problem.

- **Legislation**

Mr. Favaloro stated the Advisory Board and MWRA had a good legislative year with the passing of the Watershed Protection Trust (Trust) and doubling of Debt Service Assistance (DSA). However, more work is required for the Trust. In Conference Committee, the House legislators inserted two members to serve on the Board of Trustees – a member appointed by the Senate President and a member appointed by the Speaker of the House. However, the State Constitution does not allow this. Senator Brewer worked to have language inserted in the Supplemental Budget to replace the Senate and House appointees with the President of the Swift River Valley Historical Society and the Chairman of the MWRA Advisory Board. The language did not survive the Supplemental Budget.

The Trust has not held its first official meeting yet because three members are needed for an official meeting. A representative from the recreational associations in central-western Massachusetts is just about in place. He will join the Secretary of the Executive Office of Environmental Affairs Ellen Roy Herzfelder (or her designee) and MWRA Executive Director Fred Laskey for a meeting, tentatively scheduled for September 20.

Staff will begin to gage the receptiveness of the legislature for growth in DSA for the FY06 budget. It is still early in that process and the “state of the state” will be a factor.

Staff continues to monitor Representative Falzone’s intent to transfer responsibility for pipes on Route 1 in Saugus to the MWRA. The original price for repair/replacement of these pipes was \$3 million and is now estimated at \$22.2 million. The Advisory Board had tried to work for some common ground; however, currently the only thing Saugus is eligible for their yearly allotment in the Local Pipeline Assistance Program.

Mr. Favaloro informed the Executive Committee that Tracy Wadsworth, Government/Media Coordinator, will be moving to the intergovernmental position at the Authority. Chairman Dunphy wished Ms. Wadsworth well in her new position at the Authority.

- **CIP & CEB**

Cornelia Potter stated the Authority is under way with the preparation of the next Capital Budget and the Current Expense Budget process for FY06.

The FY04 Current Expense Budget had a year-end surplus of \$1.45 million. The Authority sought a number of steps to shrink the surplus before the end of the formal recording period by making pre-purchases of certain key items and retiring debt through bond defeasance to reduce needs within the FY05 budget.

Mr. Favaloro noted there are outstanding questions that remain from the Advisory Board’s comments and recommendations on both the CEB and CIP. Where does the Authority stand with regard to letters from the regulators on stormwater? Where does Master Planning stand? The Authority says the right words around master planning; the problem is they haven’t gotten beyond talk. Staff will continue to work to see these items accomplished.

The Advisory Board has requested that the Authority to put together a “Space-Use Committee”. The leases in Charlestown will be expiring over the next couple of years, which will provide an opportunity to determine what the Authority’s space needs are and where they are going to be

located two years from now. There is free space in Chelsea, Charlestown, Southborough and at Deer Island. The Committee would provide an informed recommendation to the Board.

Mr. Favaloro informed the Executive Committee that MWRA used a portion of its surplus to reimburse the Advisory Board for the \$27,500 spent to hire Durand & Anastas Environmental Strategies, Inc. to get the Watershed Protection Trust accomplished.

- **Wastewater Metering**

The Operations Committee and the Advisory Board participated in developing an approach for the wastewater metering change out for the MWRA. Meter replacements began in March and, though there was a commitment from the Authority that communities would have regular updates, the silence has been deafening.

Advisory Board staff met with Rick Trubiano and his staff in July to inquire on the wastewater metering progress. MWRA stated they were having small problems, but would get back on track. They were behind schedule, but would do a better job of getting updates to the communities. The Advisory Board requested there be no surprises; communities need to know about the delays as quickly as possible.

John Sullivan said acceptance of the meters is the problem. There is only one person doing acceptance for the Authority, but more people will be added. All the meters are within 2% of the flows reported before, except one that was within 10%.

Mr. Favaloro noted that Rick Trubiano is scheduled to be before the Board of Directors this coming Wednesday with a staff summary and will speak to the full Advisory Board next week.

John Sullivan said the MWRA should let communities know how they are doing; there should be no surprises. The Board can ask staff what their recovery plan is to get the meters in by March.

- **System Expansion Requests**

Nan Crossland will be making a presentation at the Advisory Board meeting on the Dedham/Westwood Water District's intention to come before the Operations Committee for a vote to allow them into the water system on an as needed basis, principally in the summer.

Reading is still in the decision phase on whether to submit its application for entry into the MWRA water system after encountering further hurdles. The advocates are arguing that Reading should relinquish its rights to their existing source (Ipswich River). WSCAC has a very strong opinion on Reading's application. Within the Enabling Act of the Authority, and the entry criteria the MWRA and Advisory Board established, it says the MWRA should be the supply of last resort. Once all other options are exhausted, then, and only then, should an entity come to the MWRA. In an attempt to do something good for the Ipswich River, Reading would like to take water from the MWRA. It is not that Reading does not have sufficient supply, but rather Reading is trying to save those sources to benefit the Ipswich River. This is a nuance that has become an obstacle. Within the System Expansion Policy and within the Authority's purview, all requirements can be waived.

There is no peak pricing within the System Expansion Policy, yet most of the entities who want MWRA water will be taking water in the summer during peak demand and not paying any additional price for it. This may be a flaw in the policy. Walter Woods said most utility charges are based on peak use, a correction should be made. John Sullivan asked if there is a peak cost since the system was built for maximum capacity. Mr. Favaloro replied there may be a small insignificant impact

during a drought watch. John Sullivan noted that would be a resource problem, not an increase to the system.

Chairman Dunphy noted when communities apply to join the MWRA system, it is up to the Authority to determine that there will be no affect on the existing communities. If MWRA sees any increased costs, then it should be determined who will pick up those costs.

IV. Discussion: John Carroll's Proposal Regarding Future MWRA Operating Budgets and Rate Revenue Requirements

John Carroll stated in Norwood he has seen a growing concern from residents about increasing water rates. In thinking about Proposition 2½, Mr. Carroll realized it got local officials to tighten their belts in sometimes very difficult ways. Mr. Carroll suggested the MWRA establish a limit for increases to MWRA's budget each year. The number does not have to be 2.5% – it could be 3.5% or less.

It is Mr. Carroll's hope that the MWRA Board of Directors will agree to set up a Sub-Committee to investigate the possibility of establishing a limit. Staff has already stressed that there may be implications with Debt Service Assistance. Debt service alone is more than half the cost of the MWRA's budget. If a cap were established on the operating budget, with the ability to do an override by the Board of Directors if necessary, it might be a way to tell the ratepayers the MWRA is working to control rates.

Walter Woods asked what portion of the budget is for debt service payments. John Sullivan said 60% of the Authority's budget is for debt service and will increase with the addition of CSO Projects and operation of the Walnut Hill Water Treatment Plant.

Mr. Favaloro agreed that the suggestion is worthy of discussion and asked that the Advisory Board be included on the Committee.

John Sullivan stated the Committee needs to educate itself and understand what makes up the Authority's operating budget – after the components have been broken down, you will have debt service, the work force, electricity and chemicals. Electricity and chemicals can be tweaked, but for the most part cannot be controlled. Debt service can be refinanced, but is already tight. The Committee needs to know what exactly is being capped.

Mr. Carroll stated the Board needs a more rigorous examination of the budget process than it has ever done before – starting now, not waiting until next February.

Mr. Favaloro stated in the height of the rate revolt, the Authority assembled the Board in a retreat at the University of Massachusetts - Boston and they spent the entire day going through every nook and cranny of both the CEB and CIP. They brought in the staff, the Advisory Board and others to do a comprehensive look at what the world was like at that moment. That might not be a bad kickoff for the sub-Committee. Then the members will know what they want to see.

Chairman Dunphy said MWRA must pay the increases in legally mandated costs and utilities so those items must be taken off the table to begin with. There are only a certain number of things left over to work on, which basically comes down to salaries and discretionary service or not adding new debt. For taxpayers, 2½% is a magic term and they believe that is the rate of increase. It is actually 2½% plus growth, which is usually at least 0.5% and sometimes as much as 4%. Chairman Dunphy believes the idea deserves more study, but does not want to see Debt Service Assistance jeopardized.

Mr. Carroll stated he wants the Committee to come up with a number within reason. If you force staff to think in a different way and provide a number they have to live within that is not entirely unreasonable, Mr. Carroll believes they could do it.

John Sullivan added the big issue is the Board/Committee needs to be educated as to what they can mandate for a number and how that impacts what is touchable and untouchable.

Chairman Dunphy suggested even if there is no formal “2½%”, a target figure should always be in the back of staff’s minds. In continuing to build new facilities needing staff, electricity, chemicals, etc., Chairman Dunphy expressed concern if the target became too rigid. These assets need to be maintained. Mr. Carroll noted that would be the reason for an override, only with nine votes of the Board as opposed to six. Chairman Dunphy noted then you are in a political situation. Would the three people appointed by the Mayor of Boston or the three people appointed by the Governor vote for an override?

Ms. Potter pointed out that Direct Expenses have been limited to 2½% for a number of years. Chairman Dunphy said it is the Indirect Expenses, things like health insurance that cannot be controlled, that you just can’t touch. The workforce could be reduced, but then it affects maintenance. It is a great idea, but the Authority should not be bound to a magic number that is sometimes too high and sometimes too low. It certainly should be the target.

John Sullivan said it is a good proposal because they can share it with the Advisory Board. Mr. Sullivan suggested that an independent organization should do the leg work. If you have MWRA staff to put together a report, it is their opinion. If you ask for this spreadsheet and that spreadsheet and have someone else analyze it, we would have a clearer picture.

V. Approval of the Advisory Board Agenda for September 16, 2004

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE SEPTEMBER 16, 2004 MEETING**. It was seconded and passed by unanimous vote.

VI. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:00 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary