



News & Notes

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Water Supply Trust Faces Rising Costs

Latest assessment comes direct from Governor

In what is fast becoming an all too familiar event, the MWRA was notified this fiscal quarter of another indirect cost assessment, this time from Governor Romney's office of Administration and Finance. The charge, which totals approximately \$2 million/year, is the latest in a string of assessments placed on the MWRA and the Water Supply Protection Trust, the funding mechanism for watershed management at the state-controlled Wachusett, Ware, Quabbin and Sudbury Reservoirs.

In addition to this latest "A&F overhead", the MWRA is paying an indirect overhead rate to the Department of Conservation and Recreation (DCR), as well as a fringe rate to the State Comptroller's office. Together, the charges total approximately \$5 million each year.

"All the paperwork for the Water Supply Protection Trust is handled by DCR and paid for by the MWRA through the DCR overhead," said Joseph Favaloro, Executive Director of the Advisory Board. "Despite the fact that A&F is strictly a pass-through in this transaction, the agency continues to charge the Authority its own indirect rate."

Reacting to A&F's expressed reluctance to issue a waiver of its overhead charge, the Advisory Board, along with the MWRA, is working with the MWRA Caucus to secure a legislative waiver. Advisory Board staff is also in the process of reviewing the mechanism for assessing the fringe rate and recently received approval from the State Comptroller's office to hire an independent auditor to review the rate. Finally, staff continues to work with DCR to establish a clear system for assessing its overhead.

"MWRA ratepayers are facing unprecedented rate increases in the coming years," added Favaloro. "We need to work together to make sure any indirect costs are fairly assessed and justifiable."

Submetering Presentation Scheduled

A presentation on the new law and regulations on water submetering will be provided by the Department of Public Health at the May 19th Advisory Board meeting at the Bradley Estate, 2468B Washington Street, in Canton.

House Restores Debt Service Assistance to Budget

Following close on the heels of Governor Romney's third attempt to eliminate the Debt Service Assistance (DSA) Program in his budget proposal, the House last week restored \$12.5 million in DSA to its version of the FY06 budget. The budget now goes before the Senate where the Advisory Board will continue to advocate for increased funding.

Advisory Board CIP Comments Center on Familiar Theme

In its comments on the MWRA's Fiscal Year 2006 (FY06) Capital Improvement Program (CIP) & Budget, released this month, the Advisory Board reiterates its decade-long recommendation for capital spending limits and underscores the critical need for master planning.

The MWRA's FY06 CIP proposes adjusted capital spending of \$1,129.8 million. In its comments, the Advisory Board supports the cap as a key tool in the effort to control rate increases and reiterates the need to control project spending in order to remain within the cap. Specifically, the Advisory Board identifies a total of \$9.2 million to offset recent project cost increases and urges the Authority to take immediate steps to expedite the master planning process by creating a Master Planning Committee.

In order for master planning to be successful in managing rates, the Advisory Board emphasizes the importance of reaching agreement on the Combined Sewer Overflows (CSO) Control Program. As the single biggest driver of cost increases and shifts in capital spending, the CSO Control Program represents a major component of rate increases. Discussions with state and federal regulators are ongoing and, to date, no consensus has been reached defining the Authority's responsibilities in terms of CSO Control. The Advisory Board, in its comments, recommends a spending freeze on four CSO projects currently underway until consensus is reached between the Authority and the regulators. The Advisory Board voted to approve the *Comments and Recommendations* on the MWRA's Proposed FY06 CIP at its April meeting. The full text can be accessed through the Advisory Board website at www.mwraadvisoryboard.com.

John Carroll Re-Elected to MWRA Board of Directors

The Advisory Board voted unanimously at its April meeting to elect John Carroll of Norwood to a sixth term on the MWRA Board of Directors. Mr. Carroll's new term will expire in 2008.

Upcoming Meetings/Events

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| May 11-- | MWRA Board of Directors' Meeting | 10:00 am in Charlestown |
| May 13-- | Executive Committee Meeting | 8:30 am at Advisory Board Office |
| May 18-- | Water Supply Protection Trust | 10:30 am at Swift River Valley Historical Society |
| May 19-- | Advisory Board Meeting | 11:30 am in Canton |
| June 10-- | Executive Committee Meeting | 8:30 am at Advisory Board Office |

Location Change: The **June 16** Advisory Board Meeting will be held at 11:30am at the State House in Boston.

If you have any questions regarding topics raised in this newsletter or any other MWRA issue, please contact:

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