EXECUTIVE COMMITTEE MEETING
JUNE 9, 2006
Minutes Approved at the September 15, 2006 Meeting

Present: Ed Sullivan, CANTON; Jay Fink, LYNN; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Ted McIntire, READING.

Also in attendance, John Carroll, Andrew Pappastergion and Joe Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter, Ryan Ferrara, Rachael Dane and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the May 12, 2006 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:38 a.m. A Motion was made **TO APPROVE THE MAY 12, 2006 MINUTES OF THE EXECUTIVE COMMITTEE.** It was seconded and passed by unanimous vote.

II. Legislative Updates

Debt Service Assistance

MWRA Executive Director Joseph Favaloro stated that the Senate version of the State Budget includes a $15 million allocation for the statewide Debt Service Assistance (DSA) Program, while the House version includes $25 million. Staff will continue to work to ensure that there will be $25 million for DSA in the final State Budget.

Waiver of A&F Indirect Fee

The Advisory Board has been seeking a waiver of the Administration & Finance (A&F) Indirect Fee assessed to the Water Supply Protection Trust (Trust) for the past two years. Staff has learned the waiver language has been included in both the House and Senate versions of the overall budget and the Senate Supplemental Budget (Senate Bill 2291, Section 151).

The Board of Trustees is in an awkward position in trying to determine the FY07 Budget for the Trust for two reasons: 1) if the A&F waiver is not approved, the Department of Conservation & Recreation will have to cut approximately $2 million from its budget, which means reductions to services and activities to stay within the bottom line number; 2) when the Trust was created, it included a Sunset Provision as of January 15, 2007, which is midway through FY07. Should the Trustees approve a six-month budget or an entire year's budget? Technically, it should not matter because the MWRA must pay the entire cost to either the Trust or to the State's General Fund. (The Senate Version of the budget includes language that pushes the Sunset Provision out two years.)

Chairman Dunphy noted the current proposal from Jonathan Yeo, Director of the Division of Water Supply Protection, is to vote the budget assuming the waiver is going to be included in the final budget. If it does not pass by the end of July, then the Trustees will need to convene an emergency meeting in August to cut the budget by $2 million, which would require lay offs.

DEP Water Management Regulations

Mr. Favaloro stated that he has asked Phil Guerin, the Legislative Advisory Co-Chair of the Massachusetts Water Works Association (MWWA), to attend the next Advisory Board meeting to discuss the revised DEP Water Management Regulations/Conservation Standards, which have not changed much from the draft shown to Advisory Board members last year. As part of the State Budget, MWWA is leading a drive to request: 1) a time out – freeze all resources to implement water conservation standards and regulations; 2) convene a committee of stakeholders, inclusive of the MWRA, to review the regulations/standards to see if they need to be altered, changed or adopted.

In their Budget, the Senate opted not to include the time out option but supported the concept of a Committee with a short shelf life; the Committee has six months to provide recommendations.

Mr. Favaloro noted yesterday the Water Resources Commission (WRC) supported the new regulations/standards.

Mr. Carroll said these standards are fine for water-stressed basins, but the MWRA is not in a water-stressed situation.

Chairman Dunphy noted there are other issues that have not yet been resolved. The Cape communities' population doubles in the summertime. How will those communities get by with increasing water use by only 20%? It is impossible. Even without watering lawns, there will still be more people using water.

Ryan Ferrara added there is only one representative on the WRC representing a water community and one representing agricultural interests; both seem to be on board with the 65 gallons per capita per day (gpcpd) and the 10% unaccounted for water requirements, which seems odd. The WRC hopes to vote in July. Phil Guerin spoke eloquently yesterday on why 65 gpcpd and 10% unaccounted for water does not work, but this Committee has their directive and is moving forward.

Mr. Favaloro said the fact that the Senate has included the Committee in its budget indicates that there might be a compromise out there; minimally, WRC should not approve the regulations/standards until after this Committee has an opportunity to provide input.

Other Legislative Items

Language filed previously to allow the City of Quincy and the Town of Winthrop to select their representative to the Board of Directors without approval by the Governor is expected to pass in the House next week; it is still unclear if it will pass in the Senate.

III. CIP/CEB Update

Cornelia Potter stated the MWRA Board of Directors held its CIP/CEB hearing yesterday. On the capital side, the Advisory Board's principal recommendation had to do with the importance of, and production of, the Master Plan. The Authority had agreed a year ago to prepare a Master Plan by July 2006; as yet, it has not materialized. The point of having the Plan in early summer is to use if for guidance in planning the FY08 capital budget and development of the next five-year cap.

Over the last two years, as the Authority tried to put limits on capital spending, staff sliced most of the heart out of the next five-year period (FY09-13). There is only $12 million for the entire wastewater interceptor and pumping program after 2008; thus, there have to be adjustments to what is in the capital program now and there should be an organized basis for it, predicated on the Master Plan.

The Advisory Board recommended $8.7 million in monetary recommendations to which the Authority agreed. The Authority also introduced a new $18 million phase for the I/I Program. While there was heated discussion about the value of this new phase and the program itself and whether it should have been introduced at the end of the review period, it was still unclear whether that new phase would be in the final CIP or be introduced as part of the FY08 process. In the past, it has been a working policy of the Advisory Board and MWRA staff not to introduce new projects or project phases in the final budget after the review process has taken place. The Authority also added $8 million in new spending for watershed land acquisitions.

For the CSO Program, the Authority proposed adding the entire $20 million that had been previously identified in increased costs for the Alewife CSO Program, despite the fact that negotiations with the City of Cambridge are still ongoing. The sense of the Board was that the budgeted amount should be no more than $10 million as a placeholder with a footnote clarifying that the issue is still under negotiation.

The Authority also identified $17 million in updated cost estimates for the North Dorchester Bay CSO project. The Authority expects bids on this contract to come in by the end of this month with an award over the course of the summer. It is not clear what total spending is going to be.

Mr. Favaloro noted the issue of land acquisition at DCR will be on the table. If the Authority adds $2 to $4 million to the $11 million already available, DCR can buy land just because they can.

Paramount in getting the waiver of filtration was that DCR had to have ownership of 25% of the lands surrounding the Wachusett Reservoir. At the time of the filtration discussion, DCR owned 8 to 10%; currently, DCR owns 27% to 28% of the area around the Wachusett Reservoir so they have made significant strides. How much more does DCR need to buy? There should be a better process. DCR has a Land Acquisition Committee that looks at acquiring land. There is land that it would be nice to have and then there is land with tributaries or streams that DCR must have. DCR needs to differentiate.

Additionally, DCR should move away from land acquisition and more into conservation restrictions, essentially limiting what can be done on a parcel of land rather than buying it. In defense of DCR, it has not acquired a parcel in two years because funding has been tied up with the A&F waiver because of a strategic vote by the MWRA Board of Directors that tied one to the other. No land can be acquired until the waiver is received. Everyone now assumes a more positive outcome for the waiver so the discussion of land and the $11 million available for land acquisition and additional funds is back in the forefront.

Mr. Ferrara noted every acre of land the Authority purchases is a long-term obligation on the CEB because the Authority is obligated to make payments in lieu of taxes (PILOT) versus conservation restrictions on the property, a less expensive way to get to the same objective.

Chairman Dunphy noted the reason DCR should be looking at conservation restrictions is the land value in central Massachusetts is going up significantly. Even the PILOT on land already owned is going to go up significantly in the next few years. If DCR can get conservation restrictions, which take away the development rights of the land, the owner pays the taxes.

Mr. Favaloro said the argument isn't that we shouldn't buy land; the question is when is it justified?

Ms. Potter said on the CEB side, the Authority appears to have bought into the creation of the ad hoc committee to revisit and update the multi-year rate strategy. It is understood that debt restructuring will be part of the agenda for the committee and both Cile Hicks and Vincent Mannering have requested to be on the Committee.

The Authority accepted $7.7 million of the Advisory Board's $12 million in recommendations, but due to significant additions to a number of areas of the budget, the Authority only reduced the use of rate stabilization funds by $1.25 million. One major area of increased spending was the proposal to use the Reading entrance fee of $3.3 million to increase the use of current revenue for the Capital Program; the Advisory Board expressed concern about the effectiveness of this strategy for rates management and the precedent of using entrance fee monies in this manner. The outcome of this discussion is still unclear.

Mr. Favaloro stated the efforts for responsible expansion are effectively "thrown out the window" by setting the precedent that when this revenue comes in, it will be used for capital projects as the offset for MWRA's coverage requirement. It is a bizarre use of that funding, absent any discussion. Flexibility on how to best utilize system expansion monies should be maintained. The Rates Management Committee should deal with this issue.

Jay Fink said the entrance fee covers the new community's portion for capital projects existing communities have paid for; shouldn't entrance fee payments be used to pay down a debt. Ms. Potter said the entrance fee is supposed to support capital related projects. Taking this amount of money, in this particular year, is part of the question; the Authority already meets its coverage requirements in FY07. Part of the answer is when those entrance fee monies should be applied.

Mr. Favaloro said Bedford paid its entrance fee over a series of years and offset the rate revenue requirement. Stoughton is now on a 20-year cycle to offset the rate revenue requirement. Reading's money was basically thrown out the window.

Mr. Fink asked why the Authority wouldn't use those monies to start restructuring its debt. Ms. Potter said that is the question. It does not have to be used as current revenue for the capital program; there are other capital related expenses or categories to which the monies could apply. Staff needs to look at the overall multi-year rates management strategy issue to be more precise in targeting the commitment of those monies. This was a last minute move and had not been discussed with the Advisory Board; it was not part of the Advisory Board's review. In effect, it wastes the funds because this assignment does not help the Authority meet any of its other requirements.

Staff has said that the Authority has committed to increasing the use of current revenue for the Capital Program; that is inaccurate. The Authority brought an informational staff summary to the Board in January 2000 but there was no vote. Additionally, this was long before the Authority lost DSA and faced the rates management concerns that it faces today.

Bernie Cooper asked who would make that decision. Mr. Favaloro replied, currently, staff would make that decision and suggested the Board should weigh in to keep their options open. The Advisory Board recommends utilizing the $3.3 million to reduce rates in future years realizing we have a multi-year rate problem.

Ryan Ferrara noted as a general policy, MWRA now will be asking for entrance fee payments to be provided up front. In terms of how the Authority handles this moving forward, this is an important policy decision.

Mr. Carroll said as a Board Member it is difficult to sit there with $3.3 million coming in and be committed to having that money go to bond redemption; the temptation is to use that money today. Mr. Favaloro said that is fine, but that is not what the MWRA is doing. There should be discussion on what the best thing to do is for FY07 or FY08. Options should be kept open. The worst thing the Authority can do is to put the Reading money into current revenue for capital projects because there is no impact to the rate revenue requirement.

Andrew Pappastergion said he clearly asked staff at the Board meeting if using these monies for bond redemption gave the MWRA the most flexible use of the money and staff responded in the affirmative. Staff said it would be used to defease debt. Ms. Potter said staff said both. Mr. Favaloro said their answer should be validated. Mr. Pappastergion said further discussion is needed.

Mr. Favaloro said even if it goes into defeasance, the Authority's financial people can determine when the value of the defeasance works. The current revenue for capital strategy does not get the MWRA any value at all. Ms. Potter said all it does is reduce the capital borrowing by $3 million; that does nothing for the debt service number.

Ms. Potter said Authority staff took a conservative stance on Variable Rate Debt Service and Investment Income; more than half of the Advisory Board's recommendations were on these two topics. MWRA did not accept any of the Advisory Board's recommendations for lowering Variable Rate Debt Service payments saying that short-term interest rates could rise. By the Advisory Board's calculations, MWRA's budgeted amounts support an increase in the federal funds rate to 7.5% or 8% from the 5% it is today. No one in the country is suggesting that will happen. Authority staff felt strongly that they needed a cushion in that budget. Staff agreed if all the funds were not needed in FY07, they would accrue to actual payments and reduce the amount of rate stabilization monies to be withdrawn in FY07.

For Investment Income MWRA lowered its short-term interest rate assumptions and staff will accrue Interest Income to the actual amount of receipts and reduce the amount withdrawn from the rate stabilization fund in FY07 accordingly.

With regard to the Insurance and Renewal and Replacement Reserves (RRR), the Authority will direct its insurance consultant to reconsider the size of the Insurance Reserve when that assessment gets underway this summer. However, it is unclear whether staff will reopen the Engineering Feasibility Report, which was completed last fall, to reassess the size of the RRR at this time. With its most recent borrowing, the Authority took out a lot of its outstanding Tax Exempt Commercial Paper and the capacity of the Commercial Paper Program can be considered a substitute for a separate reserve for unanticipated fund needs.

Mr. Favaloro said the RRR and Insurance Reserve can be used now; the rest of the Reserves the Authority is looking at for revisions, including the CORE fund, cannot be utilized without bondholder votes, which cannot occur until 2015 at the earliest. The Authority now has significant Commercial Paper available. Additionally, the RRR is used as a component of the NPDES permit, which is being negotiated now; that is even more reason to deal with it now. Why wait another two years to deal with the RRR and have to go back and deal with the NPDES changes?

Ms. Potter said Authority staff did not provide any previews of its responses for most of the Advisory Board's non-monetary recommendations. Opportunities for wind energy and bottled water did get some discussion. With the DSA receipts still unclear, it is not clear what the proposed rate increase for next year will be. On Wednesday, the Authority provided a reminder that if the statewide DSA allocation is funded at $15 million, the MWRA would have a 7.4% rate increase. If the statewide DSA allocation is $25 million, it would translate to a 5.8% rate increase.

Mr. Favaloro said the Advisory Board review stresses that there are difficult times now, but it is only going to get worse. MWRA broke the $500 million mark this year and will cross the $600 million in just two years and the $700 million mark just two years after that. The total increase between FY07 to FY13 is now anticipated to be $287 million. Since this draft was proposed, MWRA staff has added $24 to $28 million, so it is now over $300 million.

For the past ten years, the total value of the rate revenue requirement was a little under $4 billion. In FY07 to FY16, that number has increased to just under $7 billion, about a 75% increase. The Advisory Board's intention was to use the $12 million in recommendations (of which the Authority accepted $7 million) to reduce the amount of rate stabilization and bond redemption funds being used in FY07. The real rate revenue requirement for FY07 is 17.4%, for FY08, it is 15%, for FY09, it is 12.5% and in FY10 it is over 10%. That is why it is essential that the Rates Management Committee develop a holistic approach for restructuring beyond FY07.

What should the rate increase for FY07 be? Board Member Vincent Mannering said the rate increase cannot be 5.8% (which includes DSA) and began to speak about reductions. Reducing the rate increase for FY07 impacts FY08 and beyond. Advisory Board staff believes the MWRA should hold to the 9.8% rate increase, only to be reduced by any DSA receipts, and look for long term solutions for FY08 and beyond.

Mr. Pappastergion stated the Board should vote the budget it can legally vote. If DSA has not been approved, it is a 9.8% budget.

Mr. Favaloro noted Board Members discussed reducing the 5.8% (including DSA) to 5.4%. This is a short-term fix for a long-term problem; Mr. Favaloro questioned the benefit of this reduction. Mr. Pappastergion asked where the money would come from. Would MWRA increase the amount it draws from rate stabilization or cut into the Direct Expense budget? Mr. Favaloro said it is a discussion about strategy. Should the MWRA leave the budget as it is, saving those funds for future years or should staff try to ratchet down the operating budget further?

Mr. Carroll said historically the Board has come up with an arbitrary percentage increase. At what level of increase are we not going to have rate revolt? There is a rate increase that is going to be palatable in terms of percentage. What number would the Executive Committee Members feel comfortable bringing back to their communities? Mr. Favaloro said the six years coming are the worst ever in the existence of the MWRA. Palatable has to be defined in multi-year terms because reductions in FY07 just bring up the base for FY08; the 17% increase for FY07 potentially becomes 19% for FY08. It doesn't go away by ratcheting down 5.8% to 5.4%.

Mr. Pappastergion said there are two major factors that will determine how much the rate increase is going to be in FY08 to FY10; that is DSA and how much can be devoted from the Reserves. If we are at 9.8% now and the Authority believes it can cut another percent from the Direct Expense Budget, that is what it should do. MWRA should move forward with the leanest budget it can. The Advisory Board has reviewed the budget, is there more money there to cut? Mr. Favaloro said the MWRA has not exercised a water valve in a year because it does not have the manpower to maintain its operations anymore. Instead of coming forward and saying "we need more staff", they say "we will cut more".

Mr. Carroll said historically the Board has told the Executive Director a number to bring in as a budget, assuming receipt of DSA. Somehow the Authority has been able to do that. MWRA has to get $4 million out of this budget someplace.

Mr. Pappastergion noted the Authority met the Board's demand by using more rate stabilization funds; we are not in a position to do that. Mr. Carroll said it can be cut right out of the budget.

Mr. Carroll asked what members were comfortable bringing back to their communities. Ed Sullivan said Canton went before the Board of Selectmen and recommended an 8.7% increase for water and an 11% increase for sewer, including MWRA charges and a filtration plant.

Ted McIntire said Reading's increase will have an $83 effect, based on the last rate it got for sewer costs.

Mr. Pappastergion noted if the Board votes 9.8% or 9.4% and receives DSA, it ends up being 5.8% or 5.4% and everyone is going to be thrilled. If we cut beyond where we have already cut, before we get anything from the state, we could be shooting ourselves in the foot in terms of what we will get from the state.

Mr. Favaloro said there is not a right or wrong answer, none of it is palatable. Cutting three employees isn't going to change the reality; a hard look at an overall strategy is needed. There is potential for help coming out of Reserves. The Authority's finance staff needs to look at what levels of restructuring are indicated and when and seeking more DSA from the legislature are the real solutions. Ultimately the people that pay the price is all of us. We do not want the MWRA to become the MDC.

IV. Action Item: Revisions to the MWRA System Expansion Policy

Ryan Ferrara stated the following recommendations are the net result of four System Expansion Committee meetings. The first recommendation was based on John Carroll's suggestion that entrance fee payments from all entities coming on to both the water and sewer system be provided upfront.

A Recommendation was made **THAT MWRA REQUIRE ALL SYSTEM EXPANSION ENTRANCE FEE PAYMENTS TO BE MADE UPFRONT, IN ONE LUMP SUM PAYMENT, UNLESS OTHERWISE APPROVED BY THE MWRA BOARD OF DIRECTORS. IF THE PROPONENT IS UNABLE TO PROVIDE PAYMENT ON AN UPFRONT BASIS, THE APPLICANT MAY REQUEST THAT AN ALTERNATIVE ENTRANCE FEE PAYMENT SCHEDULE BE MADE AT AN INTEREST RATE EQUIVALENT TO THE AVERAGE COST OF MWRA'S FIXED-RATE DEBT AT THE TIME OF APPLICATION PLUS AN ADDITIONAL 25 BASIS POINTS OVER A PERIOD AS DEFINED BY A VOTE OF THE MWRA ADVISORY BOARD AND MWRA BOARD OF DIRECTORS ON THE PROPONENT APPLICATION.**

Mr. Pappastergion asked if the Committee's purview was to only reevaluate the fee structure and not comment on safe yield. Mr. Ferrara stated the Committee's charge was relatively narrow as related to fee structure questions that were raised. Mr. Favaloro added, as far as system expansion, the Advisory Board is on record as being in support of system expansion and will speak in support at the Public Forum on June 28.

Mr. Ferrara said the second recommendation related to the premium fee for emergency use. The resulting recommendation sends a price signal to communities that have a long-term water supply issue that they must determine what the solution is, whether it be to join the MWRA system or to address the issues that brought them to the Authority in the first place.

A Recommendation was made **TO MAINTAIN THE STATUS QUO FOR EMERGENCY USE FEES FOR PERIODS ONE THROUGH FOUR BUT TO INCREASE THE CHARGES FOR PERIODS FIVE AND BEYOND AS FOLLOWS: PERIODS FIVE THROUGH SEVEN – 130% OF MWRA PREVAILING RATE PLUS 130% OF THE ANNUAL PAYMENT ASSOCIATED WITH THE ASSET VALUE CONTRIBUTION PAYMENT (ENTRANCE FEE EQUIVALENT) AMORTIZED WITH INTEREST OVER 15 YEARS. PREMIUM CHARGES SHALL INCREASE FOR EACH SUBSEQUENT THREE EMERGENCY SUPPLY AGREEMENT PERIOD BEGINNING WITH PERIOD EIGHT AS FOLLOWS: PREMIUM CHARGES FOR PERIODS EIGHT TO TEN ARE 140%; PREMIUM CHARGES FOR PERIODS 11 TO 13 ARE 150%; PREMIUM CHARGES FOR PERIODS 14 TO 16 ARE 160%. PREMIUM CHARGES SHALL INCREASE BY 10% FOR EACH SUBSEQUENT THREE EMERGENCY SUPPLY AGREEMENT PERIOD.**

Based upon the understanding that most communities come to the Authority for summertime water use within a six-month period, the Committee discussed having an entrance fee that reflects a peak use component.

A Recommendation was made: **THE MWRA WILL CHARGE AN ENTRANCE FEE TO NEW COMMUNITIES JOINING ITS WATERWORKS SYSTEM SO A NEW COMMUNITY WILL PAY ITS FAIR SHARE OF THE COST OF THE WATERWORKS SYSTEM IN PLACE AT THE TIME THE USER JOINS. THE ENTRANCE FEE RECOVERS THE NEW USER'S PROPORTIONAL SHARE OF THE WATERWORKS SYSTEM'S ASSET BASE, WHICH HAS ALREADY BEEN PAID FOR BY THE EXISTING USERS OF THE SYSTEM. THE NET ASSET VALUE CHARGE WILL BE DETERMINED THROUGH ALLOCATING 25% OF THE NET ASSET VALUE TO PEAK USE AND THE REMAINING 75% TO AVERAGE USE. SYSTEM AVERAGE ANNUAL USE AND PEAK SIX-MONTH AVERAGE USE WILL BE BASED UPON THE PRIOR FIVE CALENDAR YEAR AVERAGE OF WATER CONSUMPTION. THE FORMULA IS AS FOLLOWS:**

AVERAGE USE
<u>NEW USER'S PROJECTED MWRA 'AVERAGE USE' WATER NEEDS</u>   X   NET ASSET VALUE OF TOTAL
SYSTEM 'AVERAGE USE' ANNUAL AVERAGE   WATERWORKS SYSTEM
75% OF NET ASSET VALUE ALLOCATED TO AVERAGE USE

SYSTEM PEAK USE
<u>NEW USER'S PROJECTED MWRA 'PEAK USE' WATER NEEDS</u>   X   NET ASSET VALUE OF TOTAL
SYSTEM 'PEAK USE' (MAY TO OCT) SIX-MONTH AVERAGE   WATERWORKS SYSTEM
25% OF NET ASSET VALUE (NAV) ALLOCATED TO SYSTEM PEAK USE

AVERAGE ANNUAL USE (AT 75% OF NAV) + SYSTEM SIX-MONTH PEAK USE (AT 25% OF NAV) = TOTAL ENTRANCE FEE

The Operations and Maintenance (O&M) fee was established in 1997 by the MWRA Board of Directors and specifically benefited the City of Cambridge, which was building a water treatment facility at the time. The O&M fee essentially excluded any capital costs for communities that were improving their water treatment facilities to comply with the requirements of the Safe Drinking Water Act.

Today 59% of the MWRA's expenses are capital related expenses. After much discussion, the Committee chose to eliminate the O&M charge moving forward.

A Recommendation was made **TO ELIMINATE THE OPERATIONS AND MAINTENANCE (O&M) RATE, APPROVED BY THE MWRA BOARD OF DIRECTORS AT ITS JULY 16, 1997 MEETING.**

A Motion was made **TO APPROVE ALL FOUR RECOMMENDATIONS OF THE SYSTEM EXPANSION COMMITTEE AS LISTED ABOVE.** It was seconded and passed, with Mr. McIntire opposed to Recommendation 4 only.

V. Preview: Long Range Water Supply

Mr. Favaloro stated MWRA Executive Director Fred Laskey will be at the next Advisory Board meeting to talk about long range system expansion of the water system. The Advisory Board will utilize this meeting for a vote of the full Advisory Board in support of system expansion.

Mr. Favaloro noted that there will likely be a ten to one ratio of attendees at the Public Forum of people opposed to system expansion, led by WSCAC and MAPC. MAPC will support system expansion, however, they want MWRA to create and implement a smart growth component of system expansion. MWRA's job is to say yes or no based on the strength of the system. The Commonwealth, through the Water Resources Commission (WRC), should be the one to determine if a community has adopted smart growth or not.

Further, Mr. Favaloro expressed concern that the State, through the Secretary of Environmental Affairs, may try to slow this process down.

Mr. Ferrara noted that Kathy Baskin, Executive Director of the WRC, spent 30 minutes at yesterday's WRC meeting to solicit the group's opinion on growth of the MWRA. The Committee wants to bring people in from out-of-state to speak on the matter and would like MAPC to talk about system expansion as well.

Mr. Cooper asked what the system expansion vote will say. Mr. Favaloro said the Advisory Board's perspective is that we support constructive, responsible system expansion based on the MWRA's guidelines. The real message is the MWRA communities support system expansion.

Chairman Dunphy said in many cases, expansion could benefit stream flow and the environment as well. The Advisory Board will speak on behalf of the communities.

Ed Sullivan asked how many communities have been identified as potential customers. Mr. Favaloro said MWRA has a list of 22 communities that have a potential need for MWRA water amounting to about 10.5 million gallons.

Chairman Dunphy noted that MWRA has reduced its annual usage by about 10 million gallons since 2001.

Mr. Favaloro said that 10.5 MGD is based on those who might be interested. The Advisory Board's recommendation should be tied to the amount the Authority has identified as available through its analysis, 36 MGD. The Advisory Board pushing for 36 MGD and opponents pushing for zero gives the Board a range to play with.

VI. Approval of the Advisory Board Agenda for June 15, 2006

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE JUNE 15, 2006 MEETING.** It was seconded and passed by unanimous vote.

VII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:16 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary