EXECUTIVE COMMITTEE MEETING
FRIDAY, SEPTEMBER 14, 2007
ADVISORY BOARD OFFICE
Minutes Approved at the October 12, 2007 Meeting

Present: John Sullivan, BOSTON; John Sanchez, BURLINGTON; Ed Sullivan, CANTON; Jay Fink, LYNN; Ron Seaboyer, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Ted McIntire, READING; Carol Antonelli, SOMERVILLE; Zig Peret, WILBRAHAM.

Also in attendance, John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Cornelia Potter, Matthew Romero, Christine Hevelone-Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the June 15, 2007 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:31 a.m. A Motion was made **TO APPROVE THE JUNE 15, 2007 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Action Item: FY08 Executive Committee

The following slate was presented to the Executive Committee, acting as the Nomination Committee, for its consideration:

Chair:	Katherine Haynes Dunphy, Milton
Vice Chair of Finance:	Bernie Cooper, Norwood
Vice Chair of Operations:	Jay Fink, Lynn
Secretary:	Edward Sullivan, Canton
Treasurer:	John P. Sullivan, Boston
At-Large:	*Carol Antonelli, Somerville
	Lawrence Barrett, Stoughton
	Andrew DeSantis, Chelsea
	William P. Hadley, Lexington
	Timothy MacDonald, Cambridge
	Edward D. McIntire, Jr., Reading
	Zigmund Peret, Wilbraham
	John Sanchez, Arlington
	Ron Seaboyer, Melrose
	Louis Taverna, Newton
	Walter Woods, Wellesley
	(1) Vacant

* New member for FY08

Hearing no nominations from the floor, a Motion was made **TO SUBMIT THE LIST OF NOMINEES TO SERVE AS THE FY08 MWRA ADVISORY BOARD EXECUTIVE**

COMMITTEE TO THE FULL ADVISORY BOARD. It was seconded and passed by unanimous vote.

III. Looking Back/Moving Forward – Challenges Facing the MWRA/Communities in FY08

MWRA Advisory Board Executive Director Joseph Favaloro stated that Debt Service Assistance (DSA) is a key element in smoothing the Authority's rate increases. Based on the original formula for DSA, the Authority should have been receiving DSA in the $60 to $70 million range. Instead, capital budgets that were formulated based on getting that amount of money are now faced with the reality of the loss of growth and cutbacks of DSA. Not only did the $25 million from FY07 not grow, it was reduced to $23 million.

Major efforts by cities and towns have focused on property taxes. The bridge collapse in Minnesota over the summer has focused the definition of infrastructure as bridges and roads. It is doubtful that the Governor's next capital budget will provide funding for water and sewer; most of the focus will be infrastructure defined as bridges.

The Advisory Board's goal is to get water and sewer back on the radar. If this year is lost, it is going to be more difficult to get the state to form a real partnership.

Staff has asked former Senate President Robert Travaglini, former Senator Robert Havern and former House Chairman of Ways & Means Paul Haley to come in and work with staff to develop new approaches and concepts this fall.

MWRA rate revenue requirement increases are projected to total $334 million from FY09-17. These numbers assume $25 million in DSA. If the Authority does not get the $25 million, those numbers are even further apart. For a community like Winthrop, taking MWRA's proposed rate increases in water and sewer through FY15, it is another $1.7 million; Milton another $3 million, etc. That is just 'staying the course' and does not include any other surprises such as changes in the CSO projects, further reductions in DSA or fines or penalties.

If it were not for the restructuring plan that occurred last January, rates would have been even higher and the projected levels of increase would have been far worse. The Advisory Board believes there are opportunities; due to changes in the bond rates, the MWRA has now become attractive as an investment.

From FY07 to FY18, $2 billion in capital spending needs have been identified in the Master Plan. Communities' water and sewer capital needs are critical to get the real picture on what the needs are in the MWRA service area to help persuade the legislature and the Governor to include water and sewer in the definition of infrastructure.

This year the Authority will be setting the next five-year cap. Preliminarily, that number is going to be around $200 million per year, which may go up or down. The issue that is probably toughest to answer is how to ensure that every dollar is spent most constructively between water and wastewater projects.

Currently, the only alternative funding source is the SRF, which gets to eight or nine projects on a list of 60 to 70. The good news is the SRF has notified the MWRA that because communities have not spent their money, the MWRA will be able to get more money before the end of this calendar year. The bad news is that the cities and towns are not doing their projects, even with the opportunity to get projects underway with low interest loans.

One issue that will become hotter is selling more water. The Advisory Board needs to work on ways to streamline the regulatory process related to providing MWRA service to additional entities and communities.

The Authority's NPDES permit expired two years ago. Seven years ago, the Advisory Board had to go to court to stop some of the conditions that EPA hoped to include in the NPDES permit. Advisory Board staff believes the next NPDES permit may have more unreasonable conditions and has heard from Authority staff that they are anticipating that the permit may be issued with only thirty days to comment on it and then it will go into effect. Stormwater issues remain.

About six to eight months ago, Authority staff came before the Advisory Board about blending issues at the Authority. There may be some attempt to do some limiting of flow. Limiting of flow is a buzz word that could lead to more batteries of secondary treatment, which would be costly.

On the water side, the Authority's registration of the Water Management Act is up. Under the strict interpretation of the registration, it will take the last five years' average usage and use that as the allowed number. In the MWRA's original permit that number is up around 300 MGD or higher; the last five-year average would put that number significantly lower and could potentially reduce the Authority's limit. There has been some discussion that mandatory conservation language would be included in the water conservation standards. The Authority has argued that "one size does not fit all". If the MWRA agrees to conservation standards, it would make it impossible for anyone else to say no.

MWRA has begun the next phase of its CSO projects. Staff has seen a draft of DEP's pending waiver and DEP has not tried to impose new conditions in the waiver for the Charles and the Alewife; however, this waiver is the first of five three-year variances, so every three years there is an interaction and the potential for additional costs.

The Cross Harbor Cable issue is looming. Massport wants to become a bigger player in the cruise line business, which involves making the harbor deeper. At issue is whether the cable was installed at a higher depth than in the MWRA's permit, thus there is a possibility that tens of millions of dollars of additional costs could be added if the line has to be moved.

For alternative energy sources, the Authority is aggressively working to install wind turbines at Nut Island and other locations. Because of FAA regulations, it does not appear that Deer Island will be allowed to have wind turbines. The Authority has received a grant for solar panels on Deer Island, as well as looking at other locations where solar energy may work.

In the coming fiscal year, more than $7 million is allocated to purchase watershed lands. Watershed protection is critical, and acquiring sensitive parcels of land is important, but there must be a priority setting process. If a parcel is not priority one, why is it being purchased? Mr. Favaloro stated that he has been waiting five months for a list of every parcel the Division of Water Supply Protection has purchased, along with their original designation for that site.

The Rutland-Holden Trunk Sewer Line issue has exploded over the last year. Last October, upon seeing that there were four or five major projects going through the EIR process for

Rutland, the Advisory Board objected to the projects because the sewer does not have the capacity. Further, the Advisory Board stated that these communities should not be allowed growth until they come up with a plan to resolve the issues of capacity in that line. All the parties have met and held discussions that will probably change the focus away from MWRA ratepayers and more toward some regional solution for sewering needs in central Massachusetts.

Advisory Board staff attended a presentation from Nestlé Corporation this week. Poland Springs is owned by Nestlé. Nestlé is looking at a site in Sterling, Massachusetts where they want to draw spring water. The site is owned by the Town of Clinton and was abandoned when Clinton began to get free water from the MWRA. If this deal materializes, Nestlé is going to pay the Town of Clinton to use the water that they do not need because the MWRA is paying for their water and their wastewater treatment plant.

Lou Taverna asked if it would be feasible to offer Nestlé the opportunity to buy MWRA water. Mr. Favaloro said yes; we did offer MWRA water. Coca-Cola and Pepsi have Aquafina and a couple of other bottled waters that say the water is taken from local sources on their bottles. The perception of Poland Springs is that it is coming directly from a spring. Nestlé's marketing concept is different than Coca-Cola and Pepsi.

MWRA water usage has gone down, which is good news from a conservation perspective; however, from a community perspective, it is bad news because they have fewer resources to do what they need to do. This year the Advisory Board is playing a big role in setting the foundation for the next two years. This summer bottled water became a hot issue for environmentalists. At least four Boston Globe stories in the last few months featured topics regarding bottled water versus tap water. To bring the issue back on the radar screen, staff has begun to draft legislation that one of the environmental legislators can use to open the debate on creating a tax or fee on bottled water to be used as a dedicated account for water and sewer infrastructure repairs. It is not likely the legislation would pass, but it would allow us to elevate the water and sewer discussion. The MWRA needs a dedicated source of revenue.

For 2006, per the bottled water industry, the per capita bottled water use is 28.3 gallons nationwide. Extracting 6.4 million for the population of Massachusetts, if a five cent fee (tax) were to begin on a 20 oz. bottle, it would raise $58 million annually and would be directly assessed against the bottling company. A quarter fee would be $300 million per year.

To the homeowner, it does not matter whether it is water and sewer or taxes taking money out of their pocket, they still feel the impact.

Changing mindsets is the primary goal this year; water and sewer has to be part of the definition of infrastructure.

Chairman Dunphy noted that a bottled water fee that would benefit communities statewide might garner some support.

Ed Sullivan noted that it sounds like an interesting idea, but would this be another argument to eliminate DSA? Chairman Dunphy said no, it could be applied to local projects. We need to know who is applying for water SRF and are there communities that need to do work on their own systems beyond what they are getting from the loan program. Mr. Sullivan said the legislature may say if we have this program, then we don't need DSA.

Mr. Favaloro said this is a concept that must be developed.

Zig Peret said this could backfire on us. Electricity and cable have taxes; the Legislature may say put a tax on your own water to pay for your own infrastructure. Mr. Favaloro said there is a charge of $4 and $5 per every 750 gallons. Water already has a significant dollar amount attached to it. But Mr. Peret is right. When the Commonwealth was having financial problems 12 to 15 years ago, they proposed a per gallon tax to draw from the Quabbin and Wachusett Reservoirs. The Advisory Board and the Authority were successful in going to court and eliminating it then. This topic needs more discussion before any action is taken.

John Sanchez said the idea is intriguing; some other states do collect a nickel or a dime for water bottles, so it is not unheard of to charge it. From an environmental point of view, there would be fewer bottles thrown on the side of the road.

Chairman Dunphy said there is concern that there is so much plastic bottle trash, with no incentive to pick up the bottles. Would members want to have a deposit, as opposed to a fee? The money would support public water supplies; DSA could remain for the sewer side. Mr. Sanchez said a deposit wouldn't work because a very low percentage gets returned.

John Sullivan said make sure the Advisory Board does its homework and knows the actual number for Massachusetts. If DSA were taken away, there must be a dedicated revenue stream that can be counted on. On a national tax, there is a movement by the national wastewater groups to start a Trust fund like the gasoline tax. Bigger cities want to prevent this from happening because the fear is that all communities will have to pay a tax, an administrative fee will be taken in Washington, and then a list will be put together of the worst systems to be taken care of first. If a community has taken care of its system, it will now get to build somebody else's system. That is a real threat.

Mr. Favaloro said for now, it is food for thought. Staff will continue to work on it.

IV. Action Item: Proposed Addition to Authority's Budget Policies and Procedures

Mr. Favaloro introduced proposed language that staff would like to add to the MWRA's CEB Policies and Procedures as follows: *In the event that the MWRA agrees to pay a fee, fine or penalty imposed by a local, state or federal regulatory agency in the amount of $100,000 or greater, the Executive Director shall submit the proposal for such payment to the MWRA Advisory Board. At its next regularly scheduled meeting, the MWRA Advisory Board shall consider and vote on the proposed payment prior to any actual payment of the proposed fee, fine or penalty by the Authority. Any such payment should be used to benefit the municipalities or improve the efficiency and lower the operating costs of the Authority's facilities.*

After much discussion, a motion was made **TO TABLE THIS ITEM UNTIL FURTHER DISCUSSIONS CAN BE HAD**. It was seconded and passed by unanimous vote.

V. Discussion: the Town of Reading's Request for an Additional 1.5 MGD of Water

Mr. Favaloro stated the partially supplied water community of Reading has applied to become a fully supplied member of the MWRA, utilizing 2.1 MGD. The Advisory Board voted last year to allow Reading to become a partially supplied water community so the Advisory Board does not have a vote in this matter; however, staff wanted to update members on the new contract and usage.

Staff plans to bring the matter to the full Advisory Board next week to let the members hear what the process was and reaffirm that Reading is now going to be a full time community.

The entrance fee will be approximately $7.8 million.

Reading Director of Public Works Ted McIntire stated that the MWRA is in the process of drafting the contract. The Town of Reading got approval from the Water Resources Commission for an additional 1.67 MGD; however, the contract with MWRA is going to be for an additional 1.5 MGD for now.

On behalf of the Town of Reading, Mr. McIntire thanked everyone for their support.

VI. CEB/CIP Update

Cornelia Potter stated that Advisory Board staff is currently reviewing three budgets: 1) staff is looking at how the last year (FY07) ended; 2) the start of FY08 and where the direction of spending and evolving issues are; and 3) beginning to get briefings from Authority staff on the FY09 budget. The Authority has begun its capital budget preparation process for next year and in ten more days, the Current Expense Budget process will also be started by Authority staff. Advisory Board staff is setting up a series of meetings to discuss these issues for each of the major divisions and departments at the Authority.

The Authority spent just under $550 million last year. After setting aside some of the rate stabilization monies that had originally been budgeted, and some of the additional debt service funds that were freed up from restructuring in the bond defeasance transaction, the net surplus by the end of the year was just over $2 million, which was put into the rate stabilization fund for the future.

On the capital side, the Authority spent $177 million last year, or 13% below the budgeted amount of $205 million. An issue has been whether the Authority can spend what they have budgeted for. The Authority has budgeted $250 million for this year (FY08). An ongoing issue will be discussions with the Authority on analysis they are pursuing to see what has caused their lower than budgeted spending to date and how that experience guides the setting of the cap for the next five years.

VII. Approval of the Advisory Board Agenda for September 20, 2007

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE SEPTEMBER 20, 2007 MEETING.** It was seconded and passed by unanimous vote.

VIII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:11 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary