

**EXECUTIVE COMMITTEE MEETING
FRIDAY, OCTOBER 12, 2007
ADVISORY BOARD OFFICE**

Minutes Approved at the November 9, 2007 Meeting

Present: John Sullivan, BOSTON; Ed Sullivan, CANTON; Jay Fink, LYNN; Ron Seaboyer, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Brian Carlisle, QUINCY; Ted McIntire, READING.

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

I. Approval of the September 14, 2007 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:35 a.m. A Motion was made **TO APPROVE THE SEPTEMBER 14, 2007 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Legislative Update: Expanded Bottle Bill Legislation

MWRA Advisory Board Executive Director Joseph Favaloro stated with a new Governor, staff plans to expand its approach in seeking Debt Service Assistance (DSA) and will work to engage the Administration in the hope of influencing the DSA number in House 1 thereby keeping the House and the Senate from playing off of each other.

Staff noticed a hearing being held by State Administration & Finance (A&F) a week ago in the State House News Service allowing anyone that wanted to testify on the FY09 budget to speak. The Secretary of Administration and Finance Leslie Kirwan and approximately 25 to 30 of her under-secretaries were in attendance at the Gardner Auditorium. The Advisory Board was the only speaker, which allowed good face time with the Secretary and her under-secretaries and it was the only story from that hearing for the State House News Service to cover. The message was "let's not become the forgotten infrastructure". Staff has also scheduled a meeting with A&F as part of the overall strategy of impacting House 1.

With all of the press surrounding the bottle bill, staff is trying to determine if there is a way to use the "tap versus bottle" issue to develop a dedicated stream of dollars for infrastructure maintenance. At the least, it would highlight the needs of the forgotten infrastructure.

There are two bills that principally lead the charge; one expands the bottle bill to include not only bottled water, but wine, juice and other components and has 39 sponsors. The second bill, filed by the Mayor, seeks to reclaim any "abandoned" funds to be used for the intended purpose for the environmental fund.

The value of the unclaimed bottle deposits is approximately \$38 million per year according to the Department of Environmental Protection (DEP). Staff would not try to tap into that \$38 million of funding because there would be a battle with those groups that already have a stake in that funding. Staff would like to dedicate an additional piece, such as a 5% fee or an increase to the deposit to ten cents. Those are the types of approaches, with the Executive Committee's approval, that staff would like to explore.

Staff has been unsuccessful in getting reliable numbers for bottled water purchases. The industry is tight lipped.

III. DCR/Division of Water Supply Protection Land Acquisition Program

Mr. Favaloro stated thanks to the efforts of the Trust members, of which Katherine Dunphy is a member, the Division of Water Supply Protection (DWSP) is now an organization that has the resources it needs and has transparency on how those resources are being spent. That is the good news.

Land acquisition continues to be a concern. In the Advisory Board's budget review and comments for FY08, staff talked about changing how land acquisition funds are spent. DWSP has a new approach in how it classifies properties on a scale of one being the least important and seven being the most important. Nearly \$3 million of the \$4 million spent for land acquisition in FY07 were for level four parcels. The bottom line is if there is a finite amount of money (\$19 million), and we have already bought nearly 28% of the Wachusett Reservoir lands, why are we be buying level four parcels. DWSP is spending the money on parcels that would be nice to have as opposed to saving the money to buy level sevens, sixes and fives. They are spending it because they have it to spend. In all of the lands they bought, three are level five and the rest are level four.

Ed Sullivan asked what the parameters are for the one to seven levels. Chairman Dunphy noted that Jonathan Yeo said to be a level four, the parcel must meet three criteria but we don't have the criteria. Ed Sullivan asked if we could get a copy of the criteria. Chairman Dunphy said she would let DWSP know the Executive Committee wants a copy of the criteria.

Bernie Cooper asked what kind of an inventory is left of the fives through sevens. Chairman Dunphy said that is the problem; there apparently are no parcels on the market that would fall into those categories. If a parcel is absolutely critical to the protection of our water supply, a case could be made for eminent domain. Chairman Dunphy noted that DWSP staff has said they drive by parcels everyday that they see as level sixes and sevens.

John Sullivan said what if out of 100 parcels 98% are level fours and there are only 2% that are level sevens. Is there a way to tell if the levels are equally parceled? Are there as many level sevens as there are fours? Mr. Favaloro said the funding should be kept until those parcels that are critical are available. John Sullivan asked what the critical parcels are. Ed Sullivan said without knowing the definition of the levels, how can we know which parcels are critical. John Sullivan said until we know there are a number of parcels that we really want, then the Advisory Board's argument holds to hold the money until those parcels are available.

Mr. Favaloro stated that one critical parcel is an airport, which would be a \$6 million acquisition; however, all things have to line up for a purchase to occur. Chairman Dunphy said the problem is there are a group of players that want to buy the land; the areas that were

near the river would be DCR properties and then other parts would be bought for other purposes. The other partners have to get their plans and financing arranged.

Chairman Dunphy noted the other issue is what are the criteria? Some of the criteria that DCR looks at relates to wildlife corridors, which could be making that parcel a higher level. Wildlife corridors are less important to us. Mr. Cooper said so some of the criteria may have nothing to do with water protection; Chairman Dunphy said generally they do.

Mr. Favaloro expressed concern that DWSP will spend the \$19 million on parcels that would be nice to have, but are not critical, and then will come to us and say the airport is available, we need to buy it. The Advisory Board needs to get more information and will continue to make the statement that if it is not critical, we should not be buying it.

Mr. Pappastergion stated that he would like to see a map with all the parcels, color coded as to the priority from one to seven and all the parcels we have purchased. Chairman Dunphy said that is Executive Session material; DWSP does not want the sellers to be aware of how they are categorizing these parcels.

Mr. Carroll said the Board is always a bit dissatisfied when DWSP comes in. At the last meeting, the Board asked them to come back with a summary on exactly where we stood in the whole picture. They always do a nice job on why a particular piece should be bought but mostly it is because the seller has decided to sell it. Perhaps DWSP should be invited to come before the Executive Committee as well.

Chairman Dunphy noted at the Trust meeting, the Trustees got a report from the State Auditor on DCR's watershed program; as far as their accountability and financial controls, they got a good job report so a lot of improvements have been made in DCR's financial controls. There is a lot more accountability than there was before the Trust was in existence and that is due to Mr. Favaloro's efforts.

Mr. Favaloro noted the Auditor's findings that for FY09 the South Sudbury payments in lieu of taxes (PILOT) will no longer be made. All of those communities have been notified that they are no longer watershed lands and are no longer subject to PILOT payments resulting in a \$400,000 savings for the MWRA. The second issue that was also flagged by the Auditor is that the MWRA is being forced to pay PILOT payments twice on another group of lands at the Quabbin even though it is called something else, resulting in approximately \$800,000. The issue was flagged but the Auditor did not make a recommendation to end the payments; the Auditor suggested a wait and see approach on the success of the Advisory Board's filed legislation.

IV. Use of Supplemental Environmental Project (SEP) Funds

The Authority seems to be close to settling on the blending issue with EPA for approximately \$600,000. The fine/penalty is broken up in two ways: \$300,000 will go to EPA to do what it wants with it; the other half will go to a Supplemental Environmental Project (SEP) Fund, which goes back into the system in some manner to benefit the wastewater communities or the entire system on the wastewater side. There are different views on how best to use that half of the money.

One approach mentioned for using those funds is to do some additional solar panels at Deer Island. The Authority, in conjunction with state grants, is already doing work on Deer Island

to install solar panels. Staff is uncertain how much of a difference \$300,000 would make on this project.

A second approach is from Save the Harbor/Save the Bay who want the funds to go into the Back to the Beaches Program. Mr. Favaloro noted that the Authority is already spending \$200 million to bring the beaches back. A third suggestion, from EPA and others, is pump out stations for boats on Boston Harbor. Chairman Dunphy commented that there are already 14 pump out stations on Boston Harbor.

Mr. Favaloro suggested a fourth option would be to come up with an overall approach to use SEP funds for the collective good of the wastewater communities. Does that mean technical assistance? It could be a broad band of activities that would benefit the system; for instance, technical assistance to do TV inspections. The gallons that get removed from the system benefit the entire system and the Deer Island plant.

Mr. Carroll noted that he spoke to Fred Laskey about making a presentation to the Executive Committee on how the Board arrived at a \$600,000 settlement for the blending issue.

Mr. Pappastergion said he didn't care what they do with the money as long as it goes to the greater good of all the communities.

John Sullivan said Save the Harbor/Save the Bay has been advocating a study of the Fort Point Channel now that the Union Park Pump Station is done and there is a waiver on the Roxbury Canal Conduit. There are still problems out there.

Mr. Favaloro said Authority staff can determine what would serve the greater good.

V. CIP/CEB Update

Cornelia Potter said Authority staff is well underway in preparing the Budgets for FY09. Advisory Board staff are holding a series of briefings with Authority staff to review three major categories: 1) to summarize the FY07 results; 2) to see how the Authority is doing for the first quarter of this year; and 3) to see some indicators of their requests for spending next year, including some of the issues and uncertainties that they will have to make some decisions about, whether it is electricity pricing or whether the NPDES permit will be in place for the whole year and what the implications for decisions like that are on such spending categories as chemicals or utilities.

Through September, spending for FY08 has been about \$135 million, just under a quarter of the year's whole budget of \$565 million. The four largest capital projects that are going to be awarded this year include electricity and equipment upgrades at Deer Island, the design of the West Roxbury Tunnel Project, rehabilitation of the lower Hultman Aqueduct and the construction of the last piece of the East Boston CSO Project.

Mr. Favaloro said as we look over FY08, there are changes in variable rate debt, the market has come down; the Reading entrance fee, because of timing, has not been accounted for; there is potential for entrance fees from Wilmington and the naval base; and the potential for a surplus that is greater than \$20 million – that is the good news. The Authority must be careful with all of these factors while seeking DSA. The Advisory Board has been pushing the Authority to be proactive in how it begins to think through potential surpluses. It is one

thing to think about it in October or November; it is an entirely different animal when you try to solve it in April or May.

Ms. Potter noted with lowering short term rates, investment income may have a shortfall from what the Authority assumed.

VI. Refinancing Opportunities

Mr. Favalaro noted that last month, the investment market was favorable. The Authority, on a regular basis, is inundated with proposals from brokerage houses. From last month to this month, the market is going the other way. The Authority needs to be ready.

Based on that discussion, the Authority is now putting resolutions and all the other pieces that they need together so that when the less favorable market comes, they will be ready as opposed to getting authorization from the Board to begin the process.

Advisory Board staff has suggested “refinancing in place,” which was the one piece of the major restructuring that the Authority did not do last January. The real message for today is there is nothing specific, but the Authority is ready to strike while the iron is hot.

VII. Preview: Quabbin Field Trip

Mr. Favalaro noted that activities for the Quabbin field trip/meeting will include boat trips on the Quabbin, as well as a tour of the fish hatchery.

VIII. Approval of the Advisory Board Agenda for October 18, 2007

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE OCTOBER 18, 2007 MEETING**. It was seconded and passed by unanimous vote.

IX. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:42 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary