

**MWRA ADVISORY BOARD MEETING
MARCH 20, 2008
STATE HOUSE
ROOM 350, BOSTON, MA – 11:30 A.M.
MINUTES APPROVED AT THE JUNE 19, 2008 MEETING**

Forty people were in attendance, including twenty-two voting members: John Bean, ARLINGTON; Peter Castanino, BELMONT; John Sullivan, BOSTON; Charles Barry, BROOKLINE; Jon Norton, EVERETT; J.R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; Edmund Demko, HINGHAM; Barbara Stevens, LEXINGTON; Jay Fink, LYNN; Dana Snow, MARBLHEAD; Doran Crouse, MARLBOROUGH; Cassandra Koutalidis, MEDFORD; Ruben Lagman, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Ted McIntire, READING; Carol Antonelli, SOMERVILLE; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Zig Peret, WILBRAHAM; Robert Antico, WILMINGTON.

Also present: Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Senator Anthony Petruccelli; Representative Rachel Kaprielian; Ralph Pecora, EVERETT; Ron Seaboyer, MELROSE; Eileen Simonson, WSCAC; Fred Laskey, Michael Hornbrook, Thomas Durkin, Valerie Moran, Michael Ralph and Tracy Wadsworth, MWRA STAFF; Joe Favaloro, Cornelia Potter, Matthew Romero, Christine Hevelone-Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:45 a.m. and acknowledged the presence of new MWRA Board Member Joel Barrera.

B. APPROVAL OF THE MINUTES FROM JANUARY 17, 2008

A Motion was made **TO APPROVE THE MINUTES FROM THE JANUARY 17, 2008 ADVISORY BOARD MEETING**. It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated the MWRA will be holding its Current Expense Budget (CEB) hearing on April 8 at 6:00 p.m. at Boston City Hall. The hearing allows the public an opportunity to provide testimony on the components of the MWRA's FY09 Proposed Budget. Additionally, the Advisory Board will hold its statutorily required public hearing on the proposed CEB prior to the April 17 Advisory Board meeting in Wellesley.

An election will be held at the Advisory Board's May meeting to appoint an Advisory Board representative to the MWRA Board of Directors. John Carroll's term is expiring; he intends to run for another term. Anyone who is interested in running can submit a letter of intent and a resume. This is the only vote of the Advisory Board that is not weighted by community; it is one community, one vote. Communities have equal standing in electing a member to the Board of Directors.

Mr. Favaloro noted that the Town of Wilmington will be coming back before the Advisory Board next month for a six-month emergency water connection. The Operations Committee meeting will be held before the next Advisory Board meeting.

D. PRESENTATION: MWRA ADVISORY BOARD LEGISLATOR OF THE YEAR

The Honorable Anthony W. Petruccelli, State Senator

Chairman Dunphy stated that she was pleased to present the MWRA Advisory Board's Legislator of the Year award to two deserving legislators who have been strong advocates for MWRA ratepayers over the last year.

Senator Anthony Petruccelli was sworn into the Massachusetts Senate last July, serving as the Senator for the first Suffolk/Middlesex district. His district includes Boston, Revere, Winthrop and Cambridge. Senator Petruccelli previously served as a State Representative for the first Suffolk district from 1999 to 2007. He has been a staunch advocate for ratepayer relief throughout his distinguished career in both the House and the Senate. He is the Vice Chair of the MWRA Caucus. Last year, along with Chairman Ron Mariano, the Senator was instrumental in increasing Debt Service Assistance (DSA) from \$15 million to \$23 million in the final budget. Senator Petruccelli expressed appreciation and thanked members for the honor.

The Honorable Rachel Kaprielian, State Representative

Chairman Dunphy stated that Representative Rachel Kaprielian is currently in her seventh term representing Watertown and Ward 9 of Cambridge in the Massachusetts House of Representatives. She was first elected to the House in 1994, having served two terms as a Councilor at Large in her hometown of Watertown. Representative Kaprielian served previously as Chair for the Committee on Municipalities and Regional Government and currently serves as the first division Chair of the House Committee on Floor Division. She has been a staunch advocate for providing ratepayer relief for escalating water and sewer bills, as well as providing leadership as co-sponsor on legislation that is important to ratepayers. Representative Kaprielian stated that the Advisory Board does a good job in keeping the legislators informed, helping the legislators to understand what those little shifts mean in the real world and to ratepayers. She stated that it is an honor to work with the Advisory Board and sincerely thanked members for the recognition.

E. PRESENTATION: CSO ANNUAL REPORT – Michael Hornbrook, MWRA Chief Operating Officer

MWRA Chief Operating Officer Michael Hornbrook stated the Authority publishes a court-mandated annual report on Combined Sewer Overflow (CSO) projects that outlines each project, provides a narrative description and a map where it is located, photographs of the

construction and the results. CSO spending is increasing in the next several years and plays a significant portion of the Authority's overall capital budget.

The current report highlights progress that was made in FY07. Five significant projects were completed and came online in FY07 and resulted in significant improvement to water quality in Boston Harbor and its tributaries.

BOS019 is a small building underneath the Mystic Bridge in Charlestown where a storm facility has been constructed underground. During a storm, instead of going out to a CSO outfall, the water goes into the underground storage conduits and is held there until after the storm; it is then pumped back to the Deer Island Wastewater Treatment Plant (DIWTP). Of 21 storms during the first year of operation, it held 19 of all the CSO generated and eliminated over 5 million gallons of combined sewerage from discharging. The other two storms also filled up and the excess quantity was discharged. The total cost was \$14 million.

The \$50 million Union Park CSO Facility, located in Boston, was completed this year; it provides 2.1 million gallons of storage. MWRA provided funds to the City of Boston to build a park on top of the storage tanks. This facility stores CSO during the storm and discharges it back to the DIWTP. When capacity is reached, the Authority treats the excess with sodium hypochlorite and sodium bisulfite and screening and discharges it into the Fort Point Channel. In 18 storms in the first year of operation, the facility has prevented 26 million gallons of CSO discharges to the Fort Point Channel; in eight events that exceeded the facility's capacity, treatment and screening were provided. There has been significant improvement to water quality in the Fort Point Channel.

Fort Point Channel sewer separation is being implemented by the Boston Water and Sewer Commission (BWSC) with funding by MWRA ratepayers. This \$7 million contract separated stormwater from sewerage; in a typical year it eliminated CSO discharges from a CSO outfall in the Fort Point Channel, which has seen a significant revitalization. Private development and public investment have been ongoing at the waterfront.

BWSC also performed \$118 million of sewer separation in South Dorchester that completely eliminated CSO discharges into the swimming beaches of South Dorchester Bay. The Fox and Commercial Point CSO facilities that were in those locations have been decommissioned.

Construction for the North Dorchester Bay CSO Project began in FY08 with an inside diameter 17 foot tunnel that has a lining; it begins at the Conley Terminal and runs two miles along the shore and ends at the State Police Barracks in South Boston. MWRA is making fast progress on this project. This tunnel will intercept CSOs before it gets to the beaches, store it and pump it to Deer Island after storm events and will virtually eliminate CSOs from the beach. The beaches of South Boston will be some of the cleanest urban beaches in America upon completion of the project, which is expected in December 2009.

The Morrissey Boulevard drain project is being implemented by BWSC and funded by MWRA ratepayers. It will take stormwater drainage away from the South Boston beaches and allow the Authority to store more CSO in the tunnel system. This project is in full construction.

In June 2008, the Authority will begin a large and complex project in East Boston to replace more than four miles of sewer. The technologies of micro-tunneling, pipe bursting and cured-

in-place lining were selected for this project because they have less impact on the community. It is a congested community with a lot of other work going on; BWSC is doing local work there, along with bridge rehabilitation work and other public works.

The Cambridge/Alewife CSO project began as a \$13 million project and has now grown to be a \$100 million project; it has been on hold for several years due to appeals by residents on a wetlands permit that was issued for a storm draining system.

The CSO Program contains 31 projects, of which 25 have already been started, completed or are in construction. CSO spending is expected to peak in FY09 at about \$125 million annually.

Chairman Dunphy stated the cost of these projects have gone up, in many cases substantially. Have any of these projects been enlarged in terms of geographic area covered or is this simply a cost issue? Mr. Hornbrook said the scope of the actual geographical area covered has not increased. The issue with Cambridge was the original drawings, from which the plan was based, showed that areas were separated; however, once construction began the Authority found that the sewers were not separated but were combined. The issue with the Reserved Channel is a more refined cost estimate. The original plan used a cost per square acre from all the other jobs MWRA has done plus a contingency; now BWSC has gone in and done more detailed surveys and seen where there are conflicts. Their cost estimate was higher but it is the same geographic area. Brookline has also come in with cost increases; however, the Authority has not been able to identify an alternative way of doing the work.

Mr. Favaloro asked where the Authority is in terms of the rest of the country with its CSO Program. Mr. Hornbrook stated that the Authority is in the top five to ten percent for implementation of its CSO plan. As far as the number of projects and the benefits, the MWRA has already seen an 82% reduction in CSO discharge.

Mr. Favaloro asked what EPA's reaction is when a \$13 million project in Cambridge turns into a \$100+ million project. Mr. Hornbrook said EPA's typical reaction is that those cost increases are affordable and the MWRA should continue with the program.

Chairman Dunphy noted that the MWRA's affordability study has shown that for some communities, such as Boston and Chelsea, the projects have exceeded being affordable. Mr. Hornbrook agreed but noted that EPA has its own affordability analysis that indicates the projects can go higher.

Eileen Simonson stated when the Safe Drinking Water Act regulations first came out, EPA's affordability estimate was that the entire program for the nation would be \$2 billion. Are there estimates based on the reality of costs looking all over the United States? Mr. Hornbrook responded that today there are formal cost estimates for CSO control across the country that have easily exceeded \$2 billion. MWRA is under court order to complete these projects and the regulators say that the MWRA can afford it.

Mr. Favaloro said perhaps it is time to dust off that report, as we move into a different economy, and revisit some of the issues. Mr. Favaloro stated, as Mr. Hornbrook indicated, the MWRA is under court order to do these projects; however, we are in that five to ten

percent that are actually doing something. Mr. Hornbrook said the others are either developing or beginning to implement their programs.

Cornelia Potter noted that cost increases described in the report and to the Board of \$80 million come on top of another \$30 million worth of increases between the final CIP last June and the draft CIP currently being reviewed. In the last year there has been greater than \$100 million worth of increases or updated cost estimates. Even though the South Boston project is moving along well, others are sure to have change orders because of the complexity of utilities and underground conditions in sewer separation areas. There seems to be no end to revisions to these costs. There should be some thoughtful reevaluation of the appropriateness of continuing to spend endless amount of funds.

F. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ **MWRA APPROACH TO MITIGATE THE SUB-PRIME CRISIS** – Thomas Durkin, Treasurer

MWRA Treasurer Thomas Durkin stated for nearly all the capital projects the Authority does, bonds are issued. Investors buy the Authority's bonds, relying on ratings from the rating agencies (Standard & Poor's, Moody's and Fitch) to determine if the MWRA is a good credit risk. MWRA is rated "AA". To trade at a lower interest rate, the MWRA enhanced its credit rating by buying an insurance policy. For over 40 years municipal bond issuers have bought insurance; the Authority had done it routinely.

The insurance companies decided to insure bonds other than municipalities and authorities and insured bonds that rested on sub-prime mortgages. At a high rate of default, the likelihood of paying back those investors was being insured by the very people that are insuring the Authority's bonds. The same rating agencies that review the Authority also review the financial health of the insurers. If people cannot pay back their mortgages, the insurers will have to pay; this puts the insurance companies at risk. The Authority bought the insurance because the insurers were "AAA" rated so the Authority's bonds would trade less expensively because they are less risky. Now the investors, concerned about the insurance, want more return for what they feel is risk, even though the MWRA has not done anything different and is still rated "AA".

The MWRA has approximately \$5.9 billion in debt; much of it is fixed. The exposure is in the variable rate debt. The MWRA has bonds that have long maturities but reset daily, weekly, and in one case for 35 days and have been consistently remarketed at higher rates.

In January, a plan was developed to address this issue. Of the sixteen series of variable rate bonds, three series are doing extraordinarily well. The cause of the problem is attributable exclusively to the insurance. The MWRA Board of Directors has given staff the full authorization to refund these thirteen series, essentially the same as they are, only without insurance. The refinancing will take place on May 1. Many ask why the MWRA uses variable rates if the fixed rate is so simple. There needs to be a balance in the Authority's enterprise. The MWRA has cash in short-term investments; that is how it pays the contractors. It is invested in money markets and short-term government securities, with that

money exposed to variable rates. The Authority balances that exposure with its debt because at the same time it is earning more money it is paying more money.

The Authority has consistently saved money using variable rate debt and to date has cumulatively saved \$114 million. Variable rate debt has actually been much cheaper for the Authority than long term. The Authority has a balance and is trying to be prudent. Staff employed the fundamentals but something went amiss. The insurers got into a business that became disadvantageous for them and for anybody else connected with them, including the MWRA. Staff is going to disconnect from the insurers by refunding these bonds without insurance.

❖ **CIP REVIEW UPDATE**

Cornelia Potter stated Advisory Board staff is in the midst of conducting its review of the capital budget and is now drafting its Comments and Recommendations on the MWRA's Proposed FY09 Capital Improvement Program (CIP). An initial draft will be mailed to the Executive Committee on April 4 and to the full Advisory Board on April 11 for discussion and vote at the April 17 Advisory Board meeting.

Staff has also begun its review of the Current Expense Budget (CEB) for next year and has already initiated a series of briefings with Authority staff and will continue to hold briefings over the next two weeks with all divisions and departments.

Sixty percent of the budget is capital finance expense. CEB comments will be mailed to members in early May for consideration and vote at the May 15 meeting.

Operations Committee – Jay Fink

❖ **IMPACTS OF NORUMBEGA COVERED STORAGE TANK MAINTENANCE AND INSPECTION** – Valerie Moran, Senior Program Manager

MWRA Senior Program Manager Valerie Moran stated the Authority plans to do inspections of the Norumbega Covered Storage tank, which is located in Weston and holds 115 million gallons of water and has been in operation since 2003. Norumbega Constructors built the facility; as part of their contract, they have to do an inspection after five years. The facility has three cells, with each cell holding about 40 million gallons. Each cell will be inspected individually in three different stages.

The first stage is to inspect the roof by bringing up the water to the highest level. The floors and the walls are also going to be inspected. The last stage will be to dewater the tank about ten feet and inspect the walls and columns from the roof to that level.

To drain the cell ten feet, staff must dewater 20 million gallons by putting it back into the system so that the water is not wasted. A demand in the system must be created by lowering all of the Authority's storage tanks; therefore, the communities will be losing about five pounds of pressure for one day, which will happen three times. It will take at least eighteen hours. Valve crews will be on hand; if anything happens within the system, staff can stop the operation and bring the tank level back up.

If any community has a major fire, staff would like to know this. Notifications will be sent out to the communities prior to March 30.

Earl Forman asked what the inspections consist of; what are you looking for? Ms. Moran said staff is looking for any type of structural damage to the columns or the walls, problems with concrete, how much sediment is on the floor. If there are any structural problems, the contractor needs to repair them. Two channels of the tank have already been inspected and very little was found.

Jay Fink asked who the notices would be sent to. Ms. Moran said the notices will be sent to the water department heads. Mr. Fink noted that fire departments and chief elected officials should be notified because work is planned for Sunday when the public works department is usually not in. Ms. Moran stated that staff can notify the CEOs and fire departments.

John Sullivan asked if bringing one cell down lowers all three. Ms. Moran said staff will isolate two cells to get the demand down and then lower one cell. Two cells will always be on standby if needed. Mr. Sullivan expressed concern that playing around with gradients tends to get a couple of breaks. When do you turn everything back on time wise? Ms. Moran said staff will bring the system back up slowly.

Mr. Forman asked if the Authority eventually plans to do this for all of its distribution tanks like the Weston Reservoir or the reservoirs downstream. Ms. Moran said the storage tanks are inspected every five years by diving or a remote vehicle.

Ted McIntire asked if there will be a system-wide drop in pressure or just downstream from Norumbega. Ms. Moran said the pressure drop will be just downstream from Norumbega.

Executive Committee – Katherine Haynes Dunphy

❖ LEGISLATIVE UPDATE

Mr. Favaloro stated that the House Budget is expected to be out in mid April. At this point, the minimum expected is \$15 million in Debt Service Assistance (DSA); the Authority and the Advisory Board are working to raise that number although there is not a lot of optimism that the number will be significantly higher. Efforts have been focused on the Senate to hold the number in the House Budget to avoid Conference Committee.

G. QUESTIONS AND COMMENTS

Eileen Simonson of the Water Supply Citizens Advisory Committee noted that the Town of Clinton is attempting to sell unused water sources to the Nestlé Bottling Corporation. MWRA Executive Director Fred Laskey has been on television and in the newspapers doing taste tests to demonstrate that municipal drinking water is top quality.

The Town of Sterling hosts the sources that Clinton used to use and then gave up in order to get free water from the MWRA. Their previous source is being looked at as a commodity to sell to Nestlé. Jay Fink suggested that communities take the opportunity to promote tap water in their inserts within the Consumer Confidence Report this year, not only in the MWRA version.

The improvements in the MWRA system are reflected in all of the communities' systems. This is not the same as having a member of your community like Coca-Cola or Stop and Shop bottle tap water. This is a company that comes in, doesn't own it, doesn't do anything but truck it out. That is what the proposal is for Clinton. As a state policy issue, it is a terrible use of a resource. Ms. Simonson expressed hope that members could sign onto a resolution or in a discussion at some meeting down the road talk about this and enhance those CCRs.

H. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:02 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary