

**EXECUTIVE COMMITTEE MEETING
THURSDAY, MARCH 12, 2009
ADVISORY BOARD OFFICE**

Minutes Approved at the April 9, 2009 Meeting

Present: John Sullivan, BOSTON; Jay Fink, LYNN; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Zig Peret, WILBRAHAM.

Also in attendance, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Rob Antico, WILMINGTON; Michael Cunningham, SEA CONSULTANTS; Joseph Favaloro, Cornelia Potter, Matthew Romero and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the February 13, 2009 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:34 a.m. A Motion was made **TO APPROVE THE FEBRUARY 13, 2009 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Legislative/Community Updates

MWRA Advisory Board Executive Director Joseph Favaloro said staff has had the opportunity over the last couple of weeks to meet with House leadership; the message we have received is that the prospect of receiving Debt Service Assistance (DSA) is unlikely. This message comes from the Speaker, who holds MWRA issues close to his heart. The Authority and the Advisory Board have sent a joint letter to the House and Senate on what the "Bottle Bill" share of DSA would do for their communities and asked them to include it on their short list of priorities.

Additionally, staff will be meeting with MWRA community mayors and town officials throughout the end of March and April.

III. Further Revisions to Advisory Board's FY09 Operating Budget

Mr. Favaloro said in November he came before the Executive Committee when the Authority lost DSA to talk about ways that the Advisory Board could reduce its budget, which included principally freezing Mr. Favaloro's salary for this fiscal year, cutting back on printing and a few other items. There was an assumption of interest income of over \$13,000, which was a reduction from the \$20,000 assumed just two years ago.

Although staff was aggressive in seeking higher interest rates, opening accounts with the Massachusetts Municipal Depository Trust (MMDT) and ING at rates in the beginning of the year in the 3+% range, through February, the interest income number is at \$6,000 and interest rates are now in at 1.45% for MMDT and 1.5% for ING. Certificates of Deposit are now earning 0.65%. At this point, most of the Advisory Board's funds have been dispersed, providing little

opportunity to increase the \$6,000 significantly by year's end. The estimated year-end Interest Income will likely be closer to \$8,000 or \$8,500.

Further, staff is in the process of hiring a video production company to create a video about the Advisory Board. The video will be used to present information that will include a legislative or policy piece or individual topics being worked on. The project will be loaded onto thumb drives and would be sent to the key staff people on the House and Senate Committees. This will allow the Advisory Board a way of communicating with them in a way that they are going to accept it. Why do we need to do an outreach as to who the Advisory Board is? Of four legislators of the year, three of them sent letters to MWRA Executive Director Fred Laskey thanking him for the award. Staff needs to find a better way of letting them know who we are. The cost for development of the video and thumb drives is in the \$2,500 to \$3,000 range.

The Authority announced yesterday that its surplus for FY09 will be between \$15 million and \$18 million. Mr. Favaloro requested that instead of returning the \$7,000 to the MWRA it would be better used to make up the loss of interest income and the production of the thumb drives and will help minimize exposure for FY10 as well. The budget will remain amended.

IV. Dual Recommendations for the Continued Supply of Water to the Town of Wilmington

Mr. Favaloro said the Town of Wilmington is scheduled to hold a Town Meeting in May, which everyone assumes will be a positive affirmation of entering the MWRA system; however, there is no guarantee that will happen. Over the last six activations, Wilmington has needed water as the warm weather comes and it usually begins May 1.

In the event that the Town does not get approval to join the MWRA at Town Meeting, a plan needs to be in place for Wilmington to get a DEP declaration of emergency so it can receive water, which may be needed as soon as May 3. The Advisory Board is taking the matter up this month and it will be on the MWRA Board of Directors agenda next month. At this point, approval is still needed from the Legislature and the Governor; that is in process. The declaration of emergency would only be triggered in the event that the Town Meeting vote was unsuccessful.

❖ Action Items: (1) Application of the Town of Wilmington to Become a Member of the MWRA Waterworks System and (2) Provision of a Six-Month Emergency Water Supply Connection for the Town of Wilmington

Rob Antico, Assistant Superintendent for Water and Sewer in the Town of Wilmington, stated that Mr. Favaloro covered the Town of Wilmington's situation accurately. The Town would appreciate the Advisory Board's support in seeking membership into the MWRA Waterworks System and if the Town Meeting vote is unsuccessful, Advisory Board support for a seventh six-month Emergency Water Supply activation.

Jay Fink asked about the financial incentive that Wilmington is going to present at Town Meeting on why the Town wants to become a member of the MWRA community as opposed to continuing to pay 130% for an emergency water connection. Mike Cunningham of SEA Consultants said it is not so much being presented as a financial benefit to the community as it is being presented as a necessity from a water supply perspective.

Mr. Cunningham continued that the Town has done everything it can to look for lower-cost local options through the Inter-Basin Transfer Act approval process; there is no other supply option

that is reasonable, feasible or reliable other than the MWRA supply. From a financial perspective, the Town has been able to offset some of these costs through negotiations with the potentially responsible parties for the contamination that has caused the loss of the water supply but nevertheless it is more of a necessity or they will continue to be faced with emergency supply declarations year after year.

Mr. Fink asked what the Town spent last year on water from the MWRA. Mr. Antico said it was in the \$400,000 range.

Chairman Dunphy asked about the timing of usage: Will there be more use in the summer as opposed to some component of year-round use. Mr. Antico said the main use will be in the summer; however, the Town would like to reserve the option to use the water should it be needed throughout the year. The wells will continue to be utilized, with partial use supplied by MWRA.

Mr. Favalaro noted that the Town is coming in for 600,000 gallons but the ultimate intention is to double it. Mr. Cunningham said in 2003 the Town lost five of its nine wells, more than half of the Town's water supply, to ground contamination; those wells were ordered offline indefinitely by the DEP. The Town has been requesting emergency declarations since 2003 to take water through an inter-connection with the City of Woburn.

The Town undertook a Comprehensive Water Resources Management Plan, which serves as its long-term Water Supply Management Plan, and these events were incorporated into that plan. From the analyses, it was deemed that the MWRA is the only reliable long-term water supply for the Town to take. The Town has since completed a permanent connection in April 2008 to the Northern Intermediate High system of the MWRA and used that for its emergency supply last year; the Town intends that to be its future connection for either permanent or emergency supply, depending on the Town Meeting approval.

Lou Taverna asked if the MWRA water is blended with the Town well water. Mr. Cunningham said it is; the Town of Wilmington just converted to chloramines last year and that is expected to negate any blending issues that they previously had. There shouldn't be any water quality issues.

Mr. Taverna asked if Wilmington adds fluoride to its water. Mr. Cunningham said Wilmington does not add fluoride to its water but the Authority does. The Town has issued notifications through the Board of Health in the past years when they have taken MWRA water to let residents know that MWRA does fluoridate its water. The public is aware of it.

Chairman Dunphy said the proposed motion says Wilmington's current usage will be capped at 219 million gallons annually but then there is a possibility in the future to triple that amount. Mr. Cunningham said yes, that relates to the difference between what the town currently sees as its immediate need versus what was approved through the Inter-Basin Transfer Act based on a year 2025 anticipated need; that tripled amount averages 1.7 MGD daily. At this time, positive trends have seen demands going down and reliable local supplies increased due to some work by the Town; now Wilmington has a need for 0.6 MGD on an average annual basis, with the majority of that coming from the May through October timeframe.

Chairman Dunphy asked if there is a need in twenty to thirty years from now to increase the volume, would MWRA have to increase the size of its pipes or any other infrastructure to

accommodate that. Mr. Cunningham said the long-term Northern Intermediate High system improvements that are currently being worked on between Fay, Spofford and Thorndike and the MWRA Planning and Operations Department are expected to eliminate some of the hydraulic limitations that are keeping Wilmington to the 1 MGD. Wilmington has the ability, through its pipeline, to take just over 3 MGD provided that the MWRA supply is there. Any increase to the current average daily withdrawal on a regular basis would have to go through a contract revision.

Chairman Dunphy added that because Wilmington has been grandfathered, it will have the right to pay its entrance fee over a period of time; is that their intention? Mr. Antico said he is not sure that a decision has been made.

A Motion was made to approve the following: **Whereas the Town of Wilmington meets the admission criteria set forth in MWRA Policy # OP.10: 'Admission of New Community to Waterworks System' including but not limited to the safe yield of the watershed system, on the advice of the Department of Conservation and Recreation, is sufficient; that no existing or potential water supply source for the community has been abandoned, unless the Department of Environmental Protection (DEP) has declared that the source is unfit for drinking and cannot be economically restored for drinking purposes; effective demand management measures have been implemented; adoption of a water management plan; and, the proposed expansion provides for no negative impact on the interests of the current user communities, water quality, the interests of the watershed communities and achieves economic benefit for existing user communities.**

Therefore, the MWRA Advisory Board recommends the application of the Town of Wilmington to become a member of the MWRA water distribution system be approved subject to the following conditions:

1. **Wilmington must obtain Town Meeting Approval and Legislative and Gubernatorial approval prior to admission.**
2. **Wilmington must continue to protect and maintain all local sources of supply, unless the Department of Environmental Protection (DEP) has declared that the source is unfit for drinking and cannot be economically restored for drinking purposes.**
3. **Wilmington will continue to maintain all reasonable conservation measures, abide by all applicable conditions as stipulated within the Water Resources Commission approval of Wilmington's request under the Inter-Basin Transfer Act to join the MWRA Waterworks System and abide by MWRA regulations for leak detection.**
4. **Payment of an entrance fee will be made to the MWRA consistent with MWRA policies and procedures in the amount of an estimated \$2,809,320, broken out as follows: a net entrance fee of \$3,126,210 minus total net asset value contributions of \$316,890 previously paid pursuant to MWRA Policy # OP.05.**
5. **Usage will be capped at 219 million gallons annually or 0.6 MGD from MWRA but may in the future request an additional volume of 401.5 million gallons.**
6. **That Wilmington and the MWRA develop an enforceable water supply agreement stipulating appropriate terms and conditions of service.**

7. **Upon the acceptance of the Town of Wilmington application to join the MWRA Waterworks System by the MWRA Advisory Board and the MWRA Board of Directors, Wilmington will be eligible for funding through the Local Pipeline Assistance Program. Wilmington is qualified for program funds based on 1) said community's percentage of MWRA water use as a portion of total community use; 2) proportional share of total MWRA community based unlined pipe; and 3) prorating available funds to the number of years remaining in the program. The provision of interest-free loans through the Local Pipeline Assistance Program shall be in addition to the \$250 million currently allocated within the MWRA Capital Improvement Program. Existing community allocation levels will remain unchanged. The MWRA staff summary seeking approval for Wilmington to join the MWRA Waterworks system shall include a separate section that establishes the level of funding Wilmington will be eligible for under the Local Pipeline Assistance Program. It was seconded and passed by unanimous vote.**

Additionally, the following motion was made: **Subject to a DEP Declaration of State Water Supply Emergency and MWRA Board of Directors approval, to allow the Town of Wilmington (Wilmington) to activate a direct connection to the MWRA Waterworks System for a six-month period, with a start date of May 3, 2009. Wilmington may withdraw water from MWRA at a rate of up to 1.2 MGD for the duration of the emergency without further notification to MWRA. Wilmington will abide by the rules stipulated under MWRA Emergency Water Supply Withdrawals (Policy #OP.05), including payment of a 130% surcharge of the MWRA's 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 and asset value contribution are triggered when water is transferred from the MWRA to Wilmington. It was seconded and passed by unanimous vote.**

V. Evolving CIP/CEB Review

Matthew Romero said with the integrated CIP/CEB approach, staff is not trying to short-change the review given to the CIP and CEB processes. All of the CIP briefings have been completed and staff is in the process of CEB briefings. The same level of overview will still be provided for both the CIP and the CEB.

Additionally, staff will be doing enhanced appendices. In previous years, staff has gone down the CEB document, in particular, item by item; what tended to get lost was the Advisory Board's message. In the new format, staff will reorder the way it looks at the documents and think of the budget items as a set of tools. Debt Service, the largest number, is obviously the biggest tool and will be analyzed to a degree. There are some minor line items that staff will not give a treatment to in the main body of the document because it doesn't help tell our story but in order to not lose that information, it will be included in a tabular format in the appendix so the information can be found.

In the traditional approach, on the CIP side, staff talks about topics like CSOs and the capital spending cap and for the CEB, Wages and Salaries, OPEB and Pension, for example; those things will still be talked about, but this year it will be integrated. There will still be CSOs and spending caps and Wages and Salaries and OPEB, but there are some issues that overlap, so staff will talk about both elements. Capital spending and its relationship to debt service will be highlighted this year.

The pellet plant is a good example. There is a capital project that is being looked at now for a condition assessment and emerging technologies at the pellet plant. Whatever decisions are made on the pellet plant as far as what it costs to invest in or make changes to the infrastructure and any potential changes in treatment, even on the island, to reduce volume that is being sent over to the pellet plant obviously have a direct correlation with the CEB costs that are associated with pelletizing in general. Also, with the question of emerging technologies, there is the issue of beneficial reuse. Currently, the end-product is sold or given to the communities and state agencies as fertilizer, for example; there are other possibilities that may need to be explored that may also provide financial benefit to the Authority on the CEB side.

Energy is another key example. Alternative energy programs that are currently being looked at, capital projects that are being funded, probably the ones that are most eligible for stimulus money for the Authority are going to directly affect the amount of utilities that MWRA uses so that is a current expense effect that the capital improvement program has.

Staff cannot avoid discussing the economic landscape and will comment on the fact that the MWRA did pass on a very tight budget this year; the Advisory Board gives the Authority credit; it is difficult to find a lot of “easy dollars” or low-hanging fruit to take out. Further, there is a short-term problem between FY10 and FY12 relating to the current economic crisis. For FY11, the Authority is projected to use \$36 million of rate stabilization funds and bond redemption, but acknowledges that they may not be able to really use that amount. If they can’t use rate stabilization and bond redemption, funds have to be found somewhere else.

There is also a long-term problem. In FY15 the new bond covenants will release a lot of funds that will be available to be applied toward debt service. The problem is that debt service continues to climb and doesn’t even begin to crest until FY22. Even though there will be some relief in FY15, there is still a long-term problem until FY22 before the “debt service mountain” from the harbor project starts to trail off. There is not one solution; you can’t find the \$7 million to make up for the DSA from the bottle bill that likely will not come through in any one line item. Different approaches and tools will be needed to get there.

The two objectives are to reduce the rate revenue requirement by “X” dollars between FY10 and FY13 and reducing the current CIP spending cap by “X” percent for the current cap period.

Chairman Dunphy asked what the response from the Authority has been on going to the unified approach. Mr. Romero said the response has been intrigued and happy that we are the ones piloting the initiative because there is a possibility that they might be able to move their own documents into an integrated format and provide one document on their end, so they are excited about that possibility.

There has been hesitancy on having discussions together and at this point we have already started the CIP and have kept the CEB separate. Post-June 30, the Advisory Board and MWRA budget staff, and perhaps the CFO, will meet to discuss what an integrated set of briefings would look like next year if, in fact, we decided that this approach works and they would like to adopt it. The budget staff is also starting to recognize that there are a lot of areas of overlap. It is going to be a long-term approach.

Chairman Dunphy said it seemed this year that the process of getting the CIP organized, put together, printed and sent out was difficult. Is that a one-time issue? Mr. Romero said this has

been an ongoing issue. Ms. Potter added for the last four or five years when they shifted staff responsibility there has been a noticeable difference in their ability to get materials together and out the door. Mr. Romero said we hope this will allow them the opportunity to merge their process and get the document out on time with a new schedule.

Mr. Favaloro added this is new territory and it is evolving. We may decide come June 30 that this approach didn't work for us and may decide that the tried and true way is the best. Our job is to shake things up and find a better way to get our message out.

VI. Update on Odor Control Facility

Mr. Favaloro stated over the last six months this office has been aggressive in laying out concerns related to the odor control facility to be built near the Bayside Expo and the debate between Corcoran Jennison Companies wanting an underground facility versus the Authority's plans for an above ground facility. Mr. Corcoran wanted ratepayers to pay the \$3 million to \$4 million in additional costs to put the facility underground. The Advisory Board did Op-Ed pieces, got the Globe endorsement, and got the Judge involved in order to protect ratepayer dollars. Mr. Favaloro also met with Congressman Lynch, Senator Hart and Mr. Corcoran.

The issue seemed to be over; the Authority had gone out to design on the above-ground facility.

Board Member Joseph Foti stated at yesterday's meeting, the MWRA Board of Directors voted to go forward with the design of an underground facility, with a vote of seven to three, with the Advisory Board's three members voting against the measure. Chairman Dunphy asked if there was any public discussion. Mr. Foti said there was very little discussion, public or private. Mr. Favaloro said the principal argument of the Advisory Board always was if a single abutter thinks it is a great idea, then the abutter should pay for it; ratepayers should not pay for it.

Chairman Dunphy asked if there is a way that the Board Members can ensure that ratepayers do not pay for what somebody else chooses to do for landscaping on the odor control facility. Mr. Pappastergion said the vote taken yesterday did not mention the original \$200,000 Corcoran contribution. Mr. Favaloro guessed that the best case scenario is likely what Mr. Corcoran suggested – that \$200,000 would go toward the cost of landscaping and maintenance. Chairman Dunphy said the letter she received said that Mr. Corcoran would do the landscaping and then MWRA would pay him for it but he would deduct the \$200,000.

VII. DEP Proposal for Water Meter Grant Program

Mr. Favaloro said the Department of Environmental Protection (DEP) has proposed a \$10 million Water Meter Grant Program to go directly for MWRA district cities and towns, with conditions. Further, an additional \$25 million in SRF dollars, not at 2%, but at 0%, for MWRA projects was proposed.

Andrew Pappastergion stated I asked the question "what's the catch?" during the discussion of the meter program because DEP's sudden generosity toward the MWRA struck me as being odd. Nobody would give an answer.

Chairman Dunphy asked what happens to communities that have just completed a meter replacement program. Mr. Pappastergion said if a community can't use the money, the money will go back into the pool under the current program and become available for the other communities.

Mr. Fink asked if DEP is determined to put it into a metering program or could they put it into an I/I program. Mr. Pappastergion said the language said it would make it available to MWRA for meter modernization based on a number of conditions.

Mr. Foti said that he recommended, at the Board of Directors meeting, that communities that have already done a meter program in the last several years be reimbursed. The purpose of stimulus money is to put people to work. Buying meters isn't putting people to work.

Mr. Favaloro said in all fairness, DEP mentioned "green" and one of the conditions of utilizing this money is that the community will have to go to at least bi-monthly billing.

Mr. Favaloro offered to get the most "bang for the buck", the money should be given to communities for their expensive larger meters rather than residential meters. Even if it is done proportionally, the 56 or 80 meters Boston gets is in relationship to the amount of business and larger meters it needs and the six or seven that a small community would get would benefit them because that is likely the extent of what they need. Many communities treat their larger users differently than residential users anyway; the larger users can be billed monthly and it would satisfy DEP's "green" requirement.

Mr. Fink said a few years ago the MWRA had a problem with its wastewater meters and spent millions in replacing and upgrading that whole system. What is the current status of the MWRA program? Mr. Favaloro said the MWRA has fallen behind on checking the meters because of the new flagger rule, which Michael Hornbrook will speak to at next week's meeting.

VIII. Other Business

Mr. Favaloro stated that he just received a fax from Fred Laskey regarding a retroactive change in census numbers that would result in sewer rate increases for Boston, Chelsea, Revere and Winthrop. Mr. Foti added that he questioned how Chelsea's population had gone up and was told that the City of Boston challenged the census numbers and that it affected Suffolk County communities. In an email this morning to the CFO, Mr. Foti asked for all the population census numbers for the sewer communities and the census source the MWRA used for Suffolk County. The fax is a result of that request.

Mr. Favaloro said Fred Laskey has asked the Advisory Board to weigh in on "tweaking" the methodology. Mr. Pappastergion suggested sending it to committee.

Mr. Foti said as a community receiving a 14.5% increase, I asked for some clarifications. The suggestion of putting the committee back together is reasonable.

Mr. Peret asked for an explanation of retroactive change; retroactive to what? Mr. Foti said the Authority, based on a request from Boston, went back several years to look at numbers. Once the numbers are adjusted, they have to use the numbers that are the most recent, so they go back. Boston challenged the last four, which changed the numbers of just Suffolk County.

Mr. Favaloro said this is a problem. In many ways, it is wanting it both ways. I'll jump into this process on one condition – if I hear from Chelsea, Revere and Winthrop that they are willing to use those numbers for local aid and all of the benefits from the federal government.

Mr. Foti said the only thing he asked was that the same source of census numbers be used for all of the communities, not just Suffolk County. Mr. Favaloro said if numbers are tweaked for one county then they should be tweaked for all counties.

Mr. Foti said he received a phone call this morning from MWRA Assistant Rates Manager Leo Norton that said that all the communities were tweaked.

Mr. Fink said he disagreed with what Fred calls inequities and that he would call it a change.

Chairman Dunphy expressed concern about all the recent unexpected changes. Communities that have a long process in creating their budgets need time to include these items on their Town Meeting warrants. The odor control issue came out of the blue and now this. The idea that communities receive their assessments and now new census data will be used for all the communities and new bills will be sent out, it is getting late in the season to be doing these things.

Mr. Foti said as a community, I have a right to question what was done and, in fairness, if in fact they used the same census numbers for everybody then I am okay with that. Chairman Dunphy said the question that we ought to discuss is are we going to change the census number every ten years or every year. How good are the census numbers that they have?

Mr. Favaloro said he would ask Leo Norton to show us what those changes mean. If they were going to implement Fred's suggestions, they would give new assessments based on that. It doesn't change the policy discussion but at least people will have an idea what the numbers are like.

IX. Process for Executive Director's Annual Evaluation

Mr. Favaloro noted that his contract requires an annual evaluation. The Executive Committee agreed to put the evaluation on the agenda for next month.

X. Approval of the Advisory Board Agenda for March 19, 2009

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA, WITH AN ADDITION FOR THE DEP PROPOSAL, FOR THE MARCH 19, 2009 MEETING.** It was seconded and passed by unanimous vote.

XI. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:00 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary