



**MWRA Advisory Board Summary
of the
MWRA Board of Directors Meeting
Wednesday, February 10, 2010**

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on February 10, 2010 at the Charlestown Navy Yard. **Present:** Chair Ian Bowles and Michael Gove, Gubernatorial Appointees; John Carroll and Joseph Foti, Advisory Board Representatives; Vincent Mannering, Kevin Cotter and James Hunt III, City of Boston Representatives; Jack Walsh, City of Quincy Representative; Marie Turner, Town of Winthrop Representative. **Absent:** Joel Barrera, Gubernatorial Appointee; Andrew Pappastergion, Advisory Board Representative.

REPORT OF THE CHAIR

Chairman Bowles commended and thanked Authority staff for their hard work in getting projects funded under the recently released State Revolving Funds (SRF) projects, especially solar, wind and other energy projects.

REPORT OF THE EXECUTIVE DIRECTOR

MWRA Executive Director Fred Laskey updated the Board on a diesel spill early this morning at the Cottage Farm Combined Sewer Overflow (CSO) facility. He noted that the tank was filled yesterday and MWRA was investigating the status/position of the valves. Up to 1,000 gallons spilled into the Charles River. He stated that Clean Harbors was currently on the scene for clean up. The spill seems to be contained.

Mr. Laskey stated that the "made in America" provision (from the American Recovery and Reinvestment Act) was waived for the construction of the wind turbine at the DeLauri pump station. He stated that staff tried to engage the General Electric Company for the project but it was too small scale for their business and MWRA had to go overseas to purchase a turbine. Mr. Laskey stated that the Deer Island wind turbines continue to work well and are producing \$25,000 worth of electricity. He noted that the Federal Aviation Administration (FAA) recently approved a third wind turbine at Deer Island.

APPROVALS

AUTHORIZATION OF A PAYMENT TO THE TOWN OF WINTHROP

The Board voted to authorize a payment to the Town of Winthrop in the amount of \$165,000 from such FY10 surplus funds as are available to the Authority to account for a discrepancy in the Town's CY07 census figures without any adjustment to the Town's FY10 sewer assessment and without intending any departure from the Authority's sewer rate assessment methodology.

MWRA staff recommended crediting the Town of Winthrop for sewer charges in an amount up to \$172,258 based upon a revised population estimate for the town. MWRA's FY10 sewer utility budget was allocated to the 43 communities served by the sewer system based upon the average of CY06, CY07, and CY08 wastewater flows and loadings, as well as they July 2007 U.S. Census Bureau population estimates and the percentage of population receiving municipal sewer service as reported by each community.

Based upon Winthrop's successful challenge of the 2008 U.S. Census data, the town's estimated population numbers were reduced by 3,937 or 18% from 21,880 to 17,943. The revised population estimate is consistent with the Town's population levels between 2003 and 2006. As a result, staff believe that the 2007

Census data was also overstated and that a corresponding credit be issued toward Winthrop's FY10 sewer charges.

Mr. Laskey stated that this is an extraordinary circumstance that staff believes is unique in the history of the current rates structure. This is a one-time occurrence that created an inequity in a community because another community appealed its number. Winthrop was given an increased surcharge that was not based on the reality of its population. Because of a lack of understanding and knowledge, Winthrop missed the first year of its ability to appeal. Board Member Joe Foti stated that crediting Winthrop will set a precedent for other communities. Board Member John Carroll stated that the whole business of rates is a zero sum game; when one community's rates go up, another community's will go down. He stated that he did not want to set any precedents in this vein. Mr. Carroll proposed that Winthrop be paid \$150,000 out of surplus funds so that no precedent is set.

Board Member Marie Turner stated that if it is not wrong to do it, then she did not understand the problem. It was a mistake that Winthrop had to pay for. She urged the Board to close the loophole so it does not happen again. She said not to close the loophole on Winthrop, which does not have the money to pay for the mistake.

Mr. Carroll responded that if the MWRA were to credit any town due to a population change, then any other city or town would be eligible for the same action. He stated that the amount of money should not be the same exact amount.

Board Member Jim Hunt said – if this is a one-time, unique situation, then the MWRA should pay the whole amount out of surplus if the town is unduly burdened.

Mr. Foti responded that it is not a unique situation; Chelsea will challenge its numbers next year and the difference will be \$300,000 and the MWRA has set the precedent. Mr. Foti stated that it was a long and difficult process to determine the methodology, which is a legitimate policy; a lot of time and effort went into the process. To go back on it is wrong.

Board Member Jack Walsh asked where the \$172,000 number came from. MWRA Budget Director Kathy Soni stated that it is because of the methodology. Mr. Hunt asked what Mr. Carroll and Mr. Foti are suggesting; do they want to change the methodology. Mr. Laskey stated that all communities would have to be reconfigured. Mr. Carroll stated that he was willing to help Winthrop, but not change the methodology; it should be a lump sum amount and it should come out of surplus.

Joseph Favaloro, Executive Director of the MWRA Advisory Board, stated this is not about Winthrop; this is about the methodology, which took years to develop. The methodology is arbitrary on what numbers establish a community's sewer assessment. Mr. Favaloro said his concern is this action could potentially open the floodgates on the methodology. There are certain components that indicate what numbers to use. The 2007 census numbers were never appealed so they remain the basis for the community's charges. Some communities believe that three-year flow averaging is not fair; this Board action will cause these communities to reconsider their options. What happens when Revere, Chelsea, Dedham, Needham and Newton come back and say this isn't fair? We should get our money back. If that is what the Board of Directors wants to do, then do it, but changing the methodology is a potential outcome.

Board Member Michael Gove asked if Winthrop had an opportunity to appeal when Boston won its appeal. Mr. Laskey responded that Winthrop had 30 days to appeal, which no one understood at the time. Winthrop was under a change of government.

Ms. Turner stated that if there is a lot of concern about the methodology, then maybe it should be revisited. Mr. Carroll responded that he did not think this issue has anything to do with the methodology.

Mr. Hunt said that he did not want to impact the methodology. He stated that he understood Mr. Favaloro's position, but he wanted to be fair to Winthrop; how can the Board achieve this? Mr. Laskey responded that the answer is going forward; we should find a way to close the loophole.

Mr. Hunt said if this mistake is a unique adjustment, it should be fixed in whole. Perhaps a task force should be established to see that this is addressed.

TRANSMITTAL OF PROPOSED FY11 CURRENT EXPENSE BUDGET TO THE ADVISORY BOARD

The Board voted to approve transmittal of the FY11 Proposed Current Expense Budget (CEB) to the MWRA Advisory Board for its 60-day review and comment period.

In recognition that the unprecedented economic climate affecting MWRA member communities and ratepayers is a multi-year problem, staff evaluated a variety of options to provide the lowest responsible rate increase in FY11 and moderate, predictable rate increases through FY13. During the development of the Proposed FY11 Budget, staff worked closely with the Advisory Board and reached consensus that the proposed rate increases presented to the Board reflect options in line with the multi-year strategic approach.

The Proposed FY11 Budget puts forth a 1.49% rate increase for FY11. This is the lowest MWRA rate increase since 1996 – a year in which the Authority received \$31.5 million in Debt Service Assistance. The MWRA achieved these moderate rate increases by:

- Controlling costs and cutting expenses below FY10 budgeted levels;
- Eliminating any wage increases in FY11 for union and non-union staff;
- Including no optional payments to the pension system and funding the annual contribution below currently required levels based on a new estimate to reflect recent gains;
- Defeating more than \$23 million of debt using the projected FY10 surplus; and
- Restructuring \$75 million of debt to provide relief in FY11-FY13.

In keeping with the Authority's multi-year rates management strategy, staff designed the Proposed FY11 Current Expense Budget to deliver the lowest responsible rate revenue increase for FY11 and moderate, predictable increases of 3.9% in both FY12 and FY13. Employing this multi-year strategy will provide much needed rate relief in the short term, preserve the Authority's high credit rating and bridge the gap to FY14 when the Authority anticipates a sizable release of reserves, which will be available to mitigate rate increases going forward.

Board Member Michael Gove asked about the impacts of the defeasance/restructuring and the wild ups and downs that are created by the current fiscal plan going forward. Mr. Gove expressed concern with the drop in 2013 and going up in 2014. Director of Administration and Finance Rachel Madden said this is a multi-year strategy but it is targeted for the next three years. In those 3.9% increase years, staff has refined its assumptions and tightened them. These are not conservative placeholders; concerted effort has been made to use as legitimate figures as possible. Staff is also trying to bridge the gap until 2014 when additional reserves will be released.

Ms. Madden noted that staff is currently working on a plan with bond counsel on how to smooth out peaks and valleys in the future depending on the limitations of the reserves that are released.

Board Member Vincent Mannering stated when cities and towns are hurting we shouldn't just do these adjustments by defeasance or restructuring, but also by tightening our belts. There are two sides of the coin: our ability to pay and the cities' and towns' abilities to pay us. Even at 1.49%, that is still about a 4-5% increase to cities and towns considering their lack of sales of water. The message is shared pain and this shows the MWRA is sharing the pain too. Congratulations to staff on a well thought out document.

APPROVAL OF THE FIFTY-EIGHTH SUPPLEMENTAL BOND RESOLUTION

The Board voted to adopt the fifty-eighth Supplemental Resolution authorizing the issuance of up to \$250,000,000.00 of Massachusetts Water Resources Authority General Revenue Bonds and Massachusetts Water Resources Authority General Revenue Refunding Bonds and the supporting Issuance Resolution.

Staff requested authorization for the issuance of \$100 million in new money to fund ongoing capital projects. In addition, as discussed at the January Board meeting, it would authorize staff to refund \$75 million of certain maturities of the 2008 Series D & E bonds to be restructured for targeted budget savings. Finally, this vote would authorize staff to refund up to an additional \$75 million in the event that market conditions

produce an opportunity to refund additional bonds for savings outside the FY10-FY13 timeframe. Staff will return to the Board to present the specifics of any refunding for savings opportunities before taking any action relative to this additional \$75 million in authorization.

There are sufficient funds available in the FY10 CEB to pay the FY10 debt service costs associated with these borrowings. The restructuring portion will reduce debt service in the near term and increase debt service between FY14 and FY22. The potential refunding for savings component would reduce future debt service. The amount of the potential reduction will be determined based upon market conditions and the ultimate pricing of the refunding transaction.

AGREEMENT WITH FUJI ELECTRIC CORPORATION OF AMERICA FOR THE REPAIR OF FOUR OZONE GENERATORS AT THE CARROLL WATER TREATMENT PLANT

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute an agreement with FUJI Electric Corporation of America to perform the necessary repairs to ozone generators 1 through 4 at the Carroll Water Treatment Plant (CWTP), in an amount not to exceed \$781,410 and for a term of 365 calendar days from the Notice to Proceed.

The ozone generation system at the CWTP was constructed with an "open-loop" cooling system using raw plant water as the sole cooling agent for the generators. In 2007, the system began to leak and subsequent investigation identified the presence of bacteriological growth that was contributing to accelerated corrosion. In December 2008, the Board approved the award of a contract to install a closed-looped cooling system. To ensure optimum reliability and performance of the ozone generation, the generators must now be inspected, repaired and/or rebuilt. Staff have been negotiating with the manufacturer, FUJI, and have determined that it is in MWRA's best interest to have these repairs performed by the manufacturer because it is the most cost-effective alternative and because FUJI is uniquely qualified to restore the system to its originally-designed performance parameters, with an accompanying warranty.

FUJI will initiate repair work on the first generator in April 2010 (following completion of the closed-loop system). Staff estimate that each generator will be repaired in no more than approximately seven weeks. Given the need to have up to three generators available for late-spring/early-summer flows, staff hope to have two generators repaired before summer 2010; the remaining two generators will be repaired in fall 2010.

Staff have anticipated the need to repair or rebuild the generators; therefore, partial funding for this Agreement has been included in the FY10 CEB. Appropriate funding for the remaining term of the Agreement will be included in the Proposed FY11 CEB.

Board Member Jack Walsh expressed concerns that there have been multiple problems in only five years and he questioned whether a two-year warranty was enough. MWRA Chief Operating Office Michael Hornbrook stated that staff's experience is that an extended warranty is available, but at additional cost.

FEBRUARY PCR AMENDMENTS – FY10

The Board voted to approve an amendment to the Position Control Register (PCR) to reflect an organizational change associated with the resolution of a union grievance.

This amendment is a title and grade change, which results in an upgrade of more than one grade. The annualized budget impact of this PCR amendment will be \$3,582. Staff will ensure that the cost increase associated with this PCR amendment will not result in spending over the approved FY10 Wages and Salaries budget.

EXTENSION OF EMPLOYMENT CONTRACT, SENIOR LABORATORY TECHNICIAN, DEPARTMENT OF LABORATORY SERVICES, DEER ISLAND

The Board voted to approve the extension of the employment contract for Ms. Jeanette M. Spero, Senior Laboratory Technician, Department of Laboratory Services, Deer Island, for a period of one year from April 9, 2010 to April 8, 2011 at the current hourly rate of \$18.00, for an annual compensation not to exceed \$37,440.00.

Staff expects a new NPDES permit to be issued in the future that may not require as much laboratory work, giving rise to uncertainty concerning future staffing needs in the Department of Laboratory Services. For this reason, creation of a full-time position is not warranted at this time.

Ms. Jeanette Spero has been a contract employee at the Deer Island Lab since April 6, 2009 performing testing and field sampling. She performs prescribed procedures on water and wastewater samples, including assisting scientists, compiling and preparing data, and operating and performing routine maintenance on laboratory equipment. Ms. Spero has one year of directly relevant experience and during the past year has become trained and certified on a variety of chemistry tests and has become an integral part of the laboratory team. There are sufficient funds available for this position in the Department of Laboratory Services' FY10 CEB.

APPROVAL OF THE 2010 AFFIRMATIVE ACTION PLAN

The Board voted to approve the Massachusetts Water Resources Authority's Affirmative Action Plan effective for a one-year period from January 1, 2010 through December 31, 2010.

During the 2009 Affirmative Action Plan year, MWRA hired a total of ten new employees, including two females (20%) and three (30%) minorities. There were 19 employees promoted during this period, including one (5%) female and two (11%) minorities. A total of 41 terminations occurred during CY2009. Of the total number of terminations, five (12%) were women and five (12%) were minorities. Of the total number of terminations, 88% left voluntarily, and of those 22% were employees who resigned and 78% were employees who retired.

CONTRACT AMENDMENTS/CHANGE ORDERS

ENERGY ADVISORY CONSULTING SERVICES – ISO NE FORWARD CAPACITY MARKET: LACAPRA ASSOCIATES, INC., CONTRACT 6974B, AMENDMENT 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 2 to increase the amount of Contract No. 6974B with LaCapra Associates, Inc., Energy Advisory Consulting Services – ISO NE Forward Capacity Market, in an amount not to exceed \$30,655.00 and extending the term by 370 calendar days to June 30, 2010.

The Massachusetts Department of Energy Resources has proposed use of a solar Power Purchase Agreement (PPA), which is a long-term contract (20 years) where the buyer (MWRA) agrees to purchase all of the solar electricity at a set price. Under the PPA model for solar projects, a private sector owner may avail itself of the 30% Federal tax credit for the purchase of renewable energy equipment. MWRA will be seeking proposals to enter into a Solar Power Purchase Agreement to provide approximately 450 kW of photovoltaic electricity at the Deer Island Treatment Plant. Since this type of agreement is new to MWRA and commits MWRA to a long-term agreement, staff recommend that MWRA continue its contractual relationship with its energy consultant to advise staff through this procurement, as well as several other energy-related matters.

LaCapra's hourly rates are fixed for the extension period and firm resources have been allocated to the project. The requested increase in contract amount reflects staff's estimate of required level of effort during the extended contract term.

The Operations Division's FY10 CEB includes \$50,000 for energy advisory services. The adjusted Contract amount, including this Amendment, is \$58,780.

EAST BOSTON BRANCH SEWER INTERCEPTOR RELIEF: BARLETTA HEAVY DIVISION, INC., CONTRACT 6257, CHANGE ORDER 6

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 6 to increase the amount of Contract No. 6257 with Barletta Heavy Division, Inc., East Boston Branch Sewer Interceptor Relief, in an amount not to exceed \$528,887.00. Further, the Board voted to authorize the

Executive Director to approve additional change orders as may be needed to Contract No. 6257 in amounts not to exceed the aggregate of \$250,000.00 and 180 days.

Change Order 6 consists of the following two items: Increased Quantity of Group I and Group IV Excavated Materials (\$280,000) and Special Junction Chamber at Receiving Shaft 8A (\$248,887).

The original estimated quantity for "Group I" (surplus material with restricted use/required to be disposed) excavated material was 35,270 tons at a unit price of \$10/ton for transportation and disposal. To date, 99% of the original estimated quantity of Group I excavated material has been expended. Staff estimate that an additional 13,000 tons of Group I excavated material will be expended before contract completion. The contract documents include language that allows for a renegotiated cost for the unit price if the actual quantity varies from the assumed quantity. The increased quantity of Group I excavated materials will be handled at a revised unit price of \$15/ton. The unit price increased because the Contractor's disposal costs for a smaller quantity under this change order are higher now than at the time of bid. Staff reviewed the revised unit price and has determined it to be reasonable and comparable to other recently awarded contracts. The total increase for Group I material is \$195,000.

The original estimated quantity for Group IV (construction or demolition debris) excavated materials was 2,500 tons at a unit price of \$85/ton for transportation and disposal. To date, 100% of the original estimated quantity of Group IV excavated material has been expended. Staff estimates that an additional 1,000 tons of Group IV excavated material will be expended before contract completion. The additional quantity will be handled at the same unit price because the Contractor's transportation and disposal costs for this classification of materials are the same now as at the time of the bid. The total increase for Group IV material is \$85,000.

The Contractor took additional measures due to changes in site conditions to reduce excessive groundwater inflow into the support of excavation at Receiving Shaft 8A, including the installation of six additional piles and additional chemical jet grouting outside the support of excavation. The Contractor managed the remaining groundwater inflow by pumping and discharging groundwater so that construction of the special junction chamber could be completed and backfilled. The Contractor will also fill, plug and abandon the underdrain pipe outside the support of excavation for a distance of 300 feet on both sides to comply with a City of Boston Groundwater Trust requirement to fill and plug utilities to be abandoned. The PCO for this item, identified as an unforeseen condition, has been approved and this additional work will be paid in the lump sum amount of \$248,887.

The cumulative total value of all change orders to this contract is \$2,329,173.60, or 3.89% of the original contract amount of \$59,900,000.00, for an adjusted contract amount of \$62,229,173.60. The FY10 CIP includes a budget of \$61,861,000 for Contract 6257, leaving this contract over budget by \$368,173.60. This amount will be covered within the five-year CIP spending cap.

EAST BOSTON BRANCH SEWER – REPLACEMENT SEWER BY PIPEBURSTING: P. CALIACCO CORP., CONTRACT 6841, CHANGE ORDER 2

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 2 to increase the amount of Contract No. 6841 with P. Caliacco Corp., East Boston Branch Sewer – Replacement Sewer by Pipebursting, for a lump sum amount of \$699,500.00. Further, the Board voted to authorize the Executive Director to approve additional change orders as may be needed to Contract No. 6841 in amounts not to exceed the aggregate of \$250,000 and 180 days.

During the first pneumatic pipebursting run, after advancing 80 feet, the machine head got stuck and had to be retrieved by constructing a recovery shaft, the cost of which was included under Change Order 1. At the recovery shaft, it was observed that the existing host pipe was not centered between the wood sheeting that was left in place during the original sewer construction in the 1890s and the sheeting extended below the invert of the host pipe instead of stopping at the crown. It was also noted that the host pipe was surrounded by clay material instead of gravel backfill. These conditions differed substantially from those shown on both the record and contract drawings. The Contractor switched to the pipebursting method and successfully completed the first run; however, the Contractor found that the equipment used in the static method of pipebursting requires a larger receiving shaft than was indicated in the contract drawings. The contract-

specified locations and dimensions of the insertion and receiving shafts were developed based on information from both the pneumatic and static equipment manufacturers. This information proved to be inaccurate as the receiving shafts for the static machine must be more than twice as long as the manufacturer specified.

Because the design shaft dimensions given in the contract documents cannot accommodate the static method, the Contractor must increase the dimensions of the ten receiving shafts from the designed 10 feet by 14 feet to 10 feet by 33 feet. The PCO for this item, identified as an unforeseen condition, has been approved. The Design Consultant, Jacobs Civil, Inc., MWRA staff and the Contractor have agreed to a lump sum amount of \$699,500 for this additional work with no extension in contract term. This change order item is only for the costs related to the need to increase the dimensions of the receiving shafts. The Contractor will be required to bear responsibility for any other additional costs related to using the static method of pipebursting. The Contractor disagrees with MWRA's position on this matter and has filed a claim for an additional \$70,000, which will be reviewed in accordance with MWRA's normal claims process.

SOUTHERN EXTRA HIGH DISTRIBUTION STORAGE AND REDUNDANCY PLAN: SEA CONSULTANTS, INC., CONTRACT 6452, AMENDMENT 3

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 3 to extend the term of Contract No. 6452 with SEA Consultants, Inc., Southern Extra High Distribution Storage and Redundancy Plan, by 12 months to February 28, 2011, with no increase in contract amount.

The Southern Extra High service area has been identified as being deficient in distribution storage and lacking redundant distribution pipelines. Correction of these deficiencies has been assigned a Priority One under MWRA's Water Master Plan due to the potential critical threat to public health that could result from a failure in this single transmission main. In addition, a major goal of system redundancy is to provide a secondary means of supplying the service area that will reduce vulnerabilities and enhance operational flexibility in the event of unforeseen conditions.

In addition, MWRA staff recently had an introductory discussion with three non-MWRA water communities that are adjacent to the study area: Braintree, Holbrook and Randolph (otherwise known as "Tri-Town") regarding the potential viability of MWRA supplying these communities with water instead of the communities constructing a new water treatment plant to meet state and federal regulations and conducting dredging operations to restore water supply capacity. MWRA staff believes there would be advantages to Tri-Town and MWRA combining projects; at this stage, Tri-Town has only requested additional information from MWRA. This issue could impact the selection of an alternative pipe alignment and pipe sizes for MWRA's Southern Extra High project and warrants delaying MWRA's selection of a preferred alternative. Representatives of Tri-Town have indicated that they would need to reach a decision regarding this issue within a few months so that they can move forward with their plans.

On September 17, 2008, the Board approved the award of Contract 6273 to Fay, Spofford and Thorndike, LLC (FS&T) to evaluate alternatives to provide redundancy for the metropolitan area transmission system, including Shaft 7 of the City Tunnel and the Dorchester Tunnel, which feed the Southern High and Southern Extra High systems. In September 2009, staff reviewed FS&T's preliminary findings; the final report has not been completed but the outcome of this study may alter the recommendation for redundancy for the Southern Extra High System; therefore, staff recommend waiting for the results of FS&T's Transmission System Redundancy Study (expected in spring 2010) before making a final recommendation.

Staff recommend the approval of Amendment 3 to Contract 6452 with SEA Consultants, Inc., which will extend the contract term by 12 months to allow sufficient time for staff to review the recommendations of FS&T's Transmission System Redundancy Study and integrate these findings into the analysis of Southern Extra High redundancy alternatives. It will also allow sufficient time to coordinate further with the Tri-Town communities and other communities along the pipeline route, as well as the Massachusetts Environmental Policy Act office staff to facilitate the Environmental Notification Form process once MWRA makes a decision on the preferred alternative. Available funds remain in the contract to complete the work.

BLUE HILLS COVERED STORAGE EIR/CONCEPT DESIGN/OWNER'S REPRESENTATIVE: RIZZO ASSOCIATES, INC., CONTRACT 6139, AMENDMENT 8

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Amendment No. 8 to reallocate available funds within Contract No. 6139 with Rizzo Associates, Inc. Blue Hills Covered Storage EIR/Concept Design/Owner's Representative, with no increase in overall contract amount or contract term. Further, to approve the assignment of Contract 6139 from Rizzo Associates, Inc. to Tetra Tech, Inc.

Amendment 8 will reallocate available contract funds between the Prime Consultant, Rizzo Associates, and its sub-consultants to reflect the level of effort that was required by the respective project team members under the owner's representative task. In general, a higher level of effort was required of Rizzo Associates due to a larger number of submittals and requests for information received from the contractor and preparation of turnover documents for MWRA's Field Operations Department. A corresponding lower level of effort was required of sub-consultant CH2M Hill, due to a smaller number of issues that required the firm's area of expertise (structural engineering and instrumentation and controls) than was originally anticipated. CH2M Hill's budget will decrease by \$27,257 and the funds will be reallocated to Rizzo Associates. CH2M Hill's assigned scope of work is complete. After this reallocation, approximately \$64,000 in CH2M Hill's budget will remain unspent. In addition, another sub-consultant, DMC, went out of business during the course of the project and DMC's assigned scope of work was completed by Rizzo Associates. DMC's budget will be reduced by \$70,555 and the funds will be reallocated to Rizzo Associates. Finally, because of an unanticipated increase in the level of effort provided by sub-consultant Judith Nitsch for field survey work, Judith Nitsch's budget will increase by \$922.

There are sufficient funds within the contract for this reallocation; therefore, Amendment 8 will not increase the overall contract amount and projections indicate that total spending will be approximately \$100,000 less than the total contract amount upon completion of the contract.

Rizzo Associates, Inc. was acquired by Tetra Tech, Inc. in May 2000 but continued to operate as a wholly-owned subsidiary under its original Federal Tax ID. In January 2008, Rizzo Associates, Inc. was merged into its parent company Tetra Tech, Inc., and now operates under the Tetra Tech, Inc. Federal Tax ID; therefore, staff recommend that the Board approve the assignment of Contract 6139 to Tetra Tech, Inc. Staff report that throughout the change of ownership Tetra Tech, Inc. has maintained continuity of key project team members and continued to provide the same level of service. All contract terms, pricing and conditions remain the same.

CORRESPONDENCE TO THE BOARD

LETTER FROM MESSRS. CARROLL, FOTI AND PAPPASTERGION RE: STAFFING LEVEL STUDY

The Board voted to request that staff return to the Board within 60 days with a recommendation, including costs, for undertaking a new study of MWRA staff levels. A sub-committee of the Board, along with a representative group from the Advisory Board, will be formed to be involved with this effort.

INFORMATION

DELEGATED AUTHORITY REPORT- JANUARY 2010

Staff presented a listing of actions taken by the Executive Director under delegated authority for the period January 1 through January 31, 2010.

FY10 SECOND QUARTER ORANGE NOTEBOOK

MWRA Chief Operating Officer Michael Hornbrook provided the Board with the second quarter update for FY10 on key performance indicators for operational, financial, workforce and customer service parameters tracked by MWRA management each month.

Mr. Hornbrook noted, at the request of Board Member Jack Walsh, that the Orange Notebook will now track the Deer Island maintenance backlog in terms of hours, which will give an understanding of how far off the Authority is in meeting its goals. Preventive and predictive maintenance activities were on target during the quarter; however, the maintenance project backlog at the end of the second quarter, while lower than last quarter due to staff returning from IA leaves, is still high at 21,000 craft hours, compared to the industry standard target range of 8,730 to 17,460 hours. The target range is based on the current planned Deer Island maintenance staffing level of 97 positions, of which seven vacant trades positions are now in the process of being back filled with the goal of bringing the backlog within the industry benchmark. Despite the backlog, the availability of critical equipment has not been impacted.

Further, Mr. Hornbrook noted plans to include the tracking of solar and wind turbine production once the units are fully accepted by the MWRA from the Contractors. The second solar unit at the DITP is nearly installed.

FISCAL YEAR 2010 FINANCIAL UPDATE AND SUMMARY AS OF JANUARY 2010

Rachel Madden reported that total year-to-date expenses are lower than budget by \$19.6 million, or 5.7%, and total revenues are below budget by \$1.7 million, for a net variance of \$17.9 million.

The January results reflect some variances solely related to timing, such as underspending of \$2.8 million for deferring the voluntary pension contribution; underspending of \$3 million of Direct Expenses; and lower revenues of \$1.7 million for delays in billing due to the implementation of the new Toxic Reduction and Control System.

After accounting for the adjustments noted above, the year-to-date variance would be \$13.8 million. Of this, the largest variance is for the favorable variable interest rates resulting in lower Debt Service expense of \$10.6 million and lower direct expenses, mostly for Chemicals spending and Wages and Salaries.

Staff projects the year-end surplus to grow to approximately \$24 million based on the year-to-date actuals through December. If market conditions remain unchanged for the remainder of the fiscal year, Debt Service expense is projected to be \$19.7 million below budget and Direct Expenses are projected to be \$3.8 million under budget.

PRELIMINARY FY11 WATER AND SEWER ASSESSMENTS

The Proposed FY11 Current Expense Budget (CEB) recommends a rate revenue requirement of \$569,800,000, an increase of 1.49% over the final FY10 requirement.

The estimated impact of the preliminary FY11 assessment on the MWRA portion of the average household bill for water and sewer service in a fully served MWRA community that uses close to the system average of 61,000 gallons of water per year is \$4.

Community charges in the MWRA service area vary widely based on local decisions, water usage, and sewer flows. Each community has its own strategies and policies with respect to water and sewer revenue matters. Local decisions are based on strategies regarding enterprise fund accounting, recovery of revenue to meet system improvement needs, use of rate stabilization funds and community specific policies; therefore, the estimated household impact is not necessarily indicative of the rates proposed by each community.

MWRA Advisory Board Executive Director Joseph Favaloro stated at a time when our communities are facing dire budgetary challenges on multiple fronts, the Advisory Board's goal was simple – to jump start the review process and engage the Board of Directors and MWRA staff so that when assessments were announced, they reflected the discussions that preceded them and provided communities with increases significantly lower than planning projections and one less budgetary uncertainty. Staffs and the Board deserve a lot of credit for having good and positive discussions early in the process.

DRAFT CSO ANNUAL PROGRESS REPORT FOR 2009

MWRA Senior Program Manager David Kubiak updated the Board on the Draft CSO Annual Progress Report for 2009, which describes the progress made by MWRA, in cooperation with Boston Water and Sewer Commission, the Cities of Cambridge, Chelsea and Somerville and the Town of Brookline, to implement the projects in MWRA's long-term CSO Control Plan in compliance with Schedule Seven. In addition to progress made in 2009, the report describes quarterly progress in the period December 16, 2009 through March 15, 2010. Updated schedules, cost estimates and spending projections are also included.

The total CSO Program Cost is now \$876 million.

Staff plans to seek Board approval on March 10, 2010 to submit the progress report to the Court.

UPDATE ON STAFFING AND RETIREMENTS

Director of Human Resources Robert Donnelly stated in September 2009 the Board approved participation in a portion of the Commonwealth's Healthcare Contribution Program, which afforded employees who filed retirement papers by October 1, 2009 and left employment by January 31, 2010 the ability to maintain their share of health care premiums at 15%. A total of 27 employees originally filed retirement applications, although a total of 20 employees actually retired. MWRA monitored this process closely and reviewed all positions vacated as a result of this program or through normal attrition and made determinations as to which positions would be backfilled, while managing to its FY10 year-end headcount of 1,216 positions.

The total estimated annual savings resulting from the Healthcare Contribution Program is \$910,214. This includes \$716,273 for 11 employees who retired and will not be backfilled, \$42,472 from the remaining nine positions, which are being backfilled (some at lower grades and annual salaries), and \$181,350 for three positions that will not be filled after the incumbents are promoted. The total savings is net of a \$29,881 increase resulting from salary adjustments made as part of the Administration and Finance reorganization approved in October 2009.

This summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Mary Ann McClellan at the Advisory Board office with questions, comments or requests for more information.