EXECUTIVE COMMITTEE MEETING
FRIDAY, MAY 12, 2011
ADVISORY BOARD OFFICE
MINUTES APPROVED AT THE SEPTEMBER 9, 2011 MEETING

Present: Jay Fink, LYNN; Katherine Dunphy, MILTON; Wiff Peterson, NATICK; Lou Taverna, NEWTON; John DeAmicis, STONEHAM; Carol Antonelli, WAKEFIELD; Walter Woods, WELLESLEY; Zig Peret, WILBRAHAM.

Also in attendance, Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Rob King, SOMERVILLE; Michael Hornbrook, MWRA; Joseph Favaloro, Matthew Romero, Maggie Atanasov and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF; Cornelia Potter, MWRA ADVISORY BOARD CONSULTANT.

I. Welcome
Chairman Katherine Haynes Dunphy called the meeting to order at 8:36 a.m. and introduced MWRA Chief Operating Officer Michael Hornbrook.

II. South Boston CSO Update – Michael Hornbrook, MWRA Chief Operating Officer

Mr. Hornbrook made a PowerPoint presentation to the Executive Committee giving them an update on the South Boston CSO project. He directed members to the MWRA website to find a complete document of the backup being provided to the court.

The information reported was for calendar year 2010. Last year, significant progress had been made including the East Boston CSO project, which had significant challenges including congestion and complicated utility lines to work around. Bulfinch Triangle was completed by the Boston Water and Sewer Commission (BWSC), separating several acres of local sewer systems from the MWRA's system. The force main for the North Dorchester Bay project was completed, as well as the aboveground odor control facility. Reserved Channel was another project being implemented by BWSC and was ongoing. The second contract for the Brookline Sewer Separation project was awarded and would begin soon; this project will also take place under congested and difficult conditions.

He reviewed a map showing the progress that had been made, noting that the inner harbor would soon be at 98% compliance for swimmable/fishable conditions, which will meet the CSO policy. The cost to get to total elimination was outrageous, but 98% elimination cost $87 million.

Mr. Hornbrook gave an overview of the North Dorchester Bay project at $272 million, noting it was the largest single project of the CSO program. The five major components were the tunnel (completed in 2009), the pump station (15 MGD capacity), the odor control

facility, the Morrissey Boulevard drain line (a 12' x 12' drain to divert a large amount of stormwater), and the Reserved Channel Sewer Separation.

The tunnel was completed in 2009, the pump station is substantially complete, the odor control facility is substantially complete, and Morrissey Boulevard was completed in 2009. Mr. Hornbrook presented some pictures from the project to give a sense of the scale and work completed. Testing had been ongoing, and all of the environmental benefits had been seen last week, during the testing.

The Reserved Channel Sewer Separation project has completed the first contract, they have awarded three more, and they are about to award one more. This will reduce CSO activations from those outfalls from 37 times a year to three times a year, which would meet water quality standards 98% of the time. This project is on schedule.

Mr. Hornbrook showed a map of the Bulfinch Triangle project near North Station. The project was for 14 acres, which allowed another 47 acres to be separated for a total benefit of 61 acres being removed from the MWRA's system.

Contract 1 for the Brookline Sewer Separation has been completed. Contract 2 is the $16 million subphase including microtunneling in a very technically challenging environment, and is scheduled for completion in January 2013. The third project was the MWRA 0010 outfall near Boston University that needed to be cleaned.

The Cambridge project has had some challenges. They had previously constructed a large interceptor down Fresh Pond Parkway; what they needed to do was to build a new outfall out to the Alewife Brook to take the separation and sewer that had to be done. It had been held up with environmental appeals for several years. At the last minute, the owner of a property where the outfall would be located went into bankruptcy, so Cambridge had to begin renegotiating easements with the new owners, which has been difficult. It was recently resolved, and the contractor has been given a notice to proceed. The MWRA has one project in Cambridge – an outfall near Alewife that needs a gate – that cannot be completed until the sewer separation is done. That would be the end of the CSO program.

There used to be 35 projects, but one had been eliminated recently. EPA wanted the MWRA to explore real-time control for some of the gates on the Charles River, but it was determined to be unfeasible. Of the remaining 34 projects, 28 are completed. Of the six remaining, four are under construction, and the remaining two are the Cambridge Sewer Separation and Cambridge outfall that cannot be completed until after the sewer separation.

In total, 31 outfalls have been closed and nine more are scheduled for closure. In 2010, the MWRA estimates a 100 million gallon reduction in CSO discharges. Currently the MWRA is at 84% reduction with 79% receiving treatment. When the program is completed, 400 million gallons per year will be removed, and 93% of that will be treated.

For the CSO Program, $730 million had been spent through December 2010; the total estimated cost of the program was $870 million. Spending had peaked in 2008 and is now on the sharp downward curve for spending. By 2015 the MWRA is supposed to have completed construction of the projects, followed by a five-year period to assess performance. The Authority will have to demonstrate to the regulatory agencies to prove that the targeted levels and goals have been attained. After that five-year period, the MWRA will be responsible for its outfalls, and the communities will retain responsibility for their outfalls.

Mr. Taverna asked if there were any other "ghost in the closet" projects out there that might be put upon the Authority unexpectedly. Mr. Hornbrook responded that all the projects outlined represented the court-ordered projects for which the MWRA had responsibility. Mr. Favaloro reminded the committee that EPA had granted variances for the Mystic and the Charles Rivers; these could come back into play and require additional work. The understanding had been to not put in any conditions in the variances – granted every three years – that would require the MWRA to spend more capital funds for the CSO program, and so far they have held to that position.

Mr. Woods asked what the operation and maintenance costs would be for the facilities moving forward. Mr. Hornbrook did not have the exact figure in front of him, but noted that those costs were projected and included in the budgets moving forward. Mr. Woods asked if the communities directly benefiting should help bear the burden of those costs and Mr. Hornbrook pointed out that it would be difficult if not impossible to allocate those costs accurately. For example, the Cottage Farm facility received flow from multiple communities. Mr. Favaloro reminded the committee that early in the MWRA's history, the Board of Directors voted to assume the responsibility of CSOs.

Chairman Dunphy asked about the NPDES permit, and Mr. Hornbrook confirmed that there had been no news on that issue. The most recent news was it might be held because of some legal challenges surrounding the co-permittee issue with the satellite collection system.

Chairman Dunphy asked if the Conservation Law Foundation (CLF) suit against EPA and Cape Cod Commission will affect the MWRA. Mr. Hornbrook noted that the only area of concern would be if EPA significantly reduced nutrient levels, which are not currently a problem for the MWRA.

In response to a question by Mr. DeAmicis, Mr. Hornbrook reviewed the background and funding mechanism of the sewer separation CSO projects. Essentially, the MWRA set the geographical area, the communities designed it, constructed it, and the MWRA reimbursed them after reviewing the specifications and approving the expenditures.

III. Report of the Independent Panel Reviewing Shaft 5A Break – Michael Hornbrook

Mr. Favaloro acknowledged that the report from the independent panel was still in Executive Session, but hoped that Mr. Hornbrook would be able to give a full presentation at the next Advisory Board meeting once it had moved into open session. Mr. Hornbrook agreed.

IV. Action Item: MWRA Advisory Board FY12 Operating Budget

Mr. Favaloro noted that the Advisory Board's FY12 budget would be reduced by $16,000 from the previous year, and it would still provide the same level of service that the office provides. There was a combination of factors that allowed this reduction for FY12, but Mr. Favaloro warned that there may not be the same opportunities to reduce the budget the next year.

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD'S FY12 OPERATING BUDGET.** It was seconded and passed by unanimous vote.

V. Action Item: Advisory Board's Integrated Comments and Recommendations on the Authority's Proposed FY12 CIP and CEB

Mr. Romero explained that staff was looking for Executive Committee direction on the proposed reduction to the Authority's FY12 CEB. Staff's recommendation was to lower the wholesale rate increase from the Authority's proposed 3.93% to 3.49%. Mr. Favaloro pointed out that the approach this year was to acknowledge the multi-year challenge facing the Authority. The aim was to make a reduction in FY12 that didn't cause a major problem in future years. The tools mentioned in this year's *Comments* are intended to show that reducing future years' rate revenue requirements will be difficult, but not hopeless.

Mr. Peterson opined that the ten-year period may be too short a view, and maybe 15 or 20 years might be a better timeline to look ahead. He also suggested examining the appropriate level of rate increases to represent sustainability. He suggested 3.95% might be a sustainable rate increase level to move toward, and agreed that there was a multi-year rate problem. Therefore, reduction strategies needed to be real and sustainable moving forward. Mr. Favaloro reiterated that while the Advisory Board had identified many tools, many of them would not be available immediately, making the next few years particularly challenging to manage. Mr. Peret asked Mr. Peterson if sustainability referred to paying down the debt or sustainability from the people accepting the proposed annual rate increase. Mr. Peterson said he was referring to what was politically acceptable or sellable for proposed annual rate increases. Mr. Peret felt that the core value was to meet expenses and pay down debt equally over each year, and then adjusting it each year

based on the differences. He felt uncomfortable suggesting a 3.95% rate increase each year if it meant "putting off the bad news" until later years.

Mr. Favaloro pointed out that the CEB was an annual process and that staff reviewed what's proposed. The long-term references were projections made by the Authority, and the Advisory Board was looking ahead to the future years for discussion although only reviewing FY12 specifically. The *Comments* were merely to point out that future rate increases, as currently projected, were not at sustainable or acceptable levels.

Mr. Favaloro stated that there may be opportunities for benefits from the results of two ongoing studies at the Authority, namely the staffing study and the technology (MIS) study. Also, the Long-Term Rates Management Committee was expected to meet at some point during the summer to begin looking at the exact use of the released reserves. Some of the specific tools will begin to be addressed and can then be layered into the ten-year vision.

Mr. Favaloro summarized the recommendations (found in Appendix A of the *Comments*) for the committee, noting specific areas of reductions to get to the proposed 3.49% increase. Chairman Dunphy felt that the proposed 3.49% rate increase was a responsible reduction considering the future challenges facing the Authority and the Advisory Board. Mr. Fink felt that the narrative about the long-term challenge facing the Authority explained the reasons for what might appear to be a minor reduction; given the context, he felt that the 3.49% rate increase was a reasonable one.

Mr. Favaloro stated that the plan would be to begin discussing at the Executive Committee level next year some larger policy questions, e.g. system expansion, restructuring not for savings but for rate relief.

Mr. Favaloro reiterated that the large policy debate would likely be around the other post-employment benefits (OPEB) policy issue. Staff's position has been and is that the Authority should not be making contributions to this liability, particularly because most other public entities and cities and towns cannot afford to do so at this time. He invited the Executive Committee to attend the first Board of Directors meeting on June 8 where Advisory Board staff would make a presentation on the *Comments and Recommendations*.

Mr. Romero confirmed for Mr. DeAmicis that the projected FY11 surplus for the Authority totaled about $32 million, but pointed out that the last two years the Authority had reflected defeasance transactions in their proposed budgets for the next year. Prior to this, they would perform defeasance transactions at the end of the year, but not reflect them in their proposed budgets. Mr. Favaloro noted that the Advisory Board specifically recommended using surplus funds to defease future debt.

A Motion was made **TO APPROVE THE ADVISORY BOARD'S INTEGRATED COMMENTS AND RECOMMENDATIONS ON THE AUTHORITY'S PROPOSED FY12 CIP AND CEB.** It was seconded and passed by unanimous vote.

VI. Action Item: Interview and Nomination of Candidates to Serve as an Advisory Board Representative to the MWRA Board of Directors

Mr. Favaloro explained that while John Carroll couldn't be present due to an out-of-state graduation, he remains interested in running for reelection to the MWRA Board of Directors. Mr. Favaloro felt that Mr. Carroll brought a history to the Board of Directors, and Chairman Dunphy felt that his opinion was greatly respected by the other Board members. Mr. Woods stated that he has been a great member of the Board of Directors and Vice-Chair for 25 years.

Hearing no nominations from the floor, the following Motion was made: **TO NOMINATE JOHN CARROLL TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2011 TO JUNE 30, 2014.** It was seconded and passed by unanimous vote.

Mr. Favaloro noted that next week's Advisory Board meeting would be honoring the Authority and Advisory Board's 25th anniversary. There would be many speakers, alumni of Advisory Board members and staff, and perhaps some press.

VII. Approval of the Advisory Board Agenda for May 19, 2011

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE MAY 19, 2011 MEETING.** It was seconded and passed by unanimous vote.

VIII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 10:06 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Lou Taverna, Secretary