



**EXECUTIVE COMMITTEE MEETING
FRIDAY, JUNE 15, 2012
ADVISORY BOARD OFFICE**

MINUTES APPROVED AT THE SEPTEMBER 14, 2012 MEETING

Present: Andrew DeSantis, CHELSEA; 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 and Joseph Foti, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Matthew Romero, Maggie Atanasov, Mary Ann McClellan and Cornelia Potter, MWRA ADVISORY BOARD STAFF.

I. Approval of the April 13, 2012 Minutes of the Executive Committee

Chairman Katherine Haynes Dunphy called the meeting to order at 8:35 a.m. A motion was made **TO APPROVE THE APRIL 13, 2012 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Status of FY13 MWRA Budget Deliberations

MWRA Advisory Board Executive Director Joseph Favaloro noted that since the *Advisory Board's Integrated Comments and Recommendations* were issued, a day has not passed without someone expressing their approval about the changes to the document.

The other feature of this document is that it will be online and will be updated on a "live" basis. As the Authority's FY13 budget evolves, so will the graphics in the online document. For those that want to continue to see the spreads between water and wastewater and how the expenditures are going, it will be available on the Advisory Board's website.

The budget hearings were last week and Andrew Pappastergion chaired the hearing as Chairman of Administration and Finance. The Advisory Board recommended an increase to the rate revenue requirement of no larger and no smaller than 3.0%. The MWRA offered a 3.49% increase. Based on input from the Board, Authority staff is working on budget revisions to bring the rate to 3.25% or 3.0% for the Board to review.

The Authority has agreed to move the eighth round of the I/I program up by one year so that funds will be available for FY13.

Discussion has begun on building the next five-year cap for FY14 to FY18. Should the cap be set at \$800 million or less? This is just the beginning of this process.

On many of the policy recommendations, the Authority has agreed to work with the Advisory Board. Primacy will take many years, with a lot of issues that need to be sorted out.

In regard to system expansion, discussions continue with Tri-Town (Braintree, Holbrook and Randolph). The process is moving along slowly.

The Authority has agreed to work with the Advisory Board on the water rate methodology for standby fees. It is likely that a substantial amount of work will be needed from the Operations Committee during FY13 to deal with standby fees principally and additionally, the Advisory Board and the Authority plan to bring the communities back together on sewer metering. There are approximately 236 meters that have been in place since the early 2000s, with 1,900 connections. Before one meter is touched, there must be a “buy-in” by all of the communities across the board. The action taken the last time was to take all meters off on the first day work began and communities paid based on a three-year average snapshot and used those numbers until all of the meters were back in place. If the Authority were to meter one and estimate another, there is the potential for over-charging.

III. Status of Long-Term Rates Management Committee

Mr. Favaloro stated that both Katherine Dunphy and John DeAmicis have actively participated, along with staff, on the Long-Term Rates Management Committee. Andrew Pappastergion is also serving on the committee representing the MWRA Board of Directors.

The committee has met twice and has gone through a lot of materials. At this point, evaluation is still being done on the best use for the release of the reserves to get the greatest benefit. Originally there was a desire on the MWRA's part that they would make a decision in June; however, Advisory Board staff objected to that because it would not give the full Advisory Board an opportunity to have input. At the earliest a decision could be made in early fall.

IV. Follow Up to Staffing Study

Mr. Favaloro said last month there was a discussion on the staffing study. The study was finally released to the Board of Directors. The staffing study determined that 36 positions over a five-year period could be eliminated through attrition. Wiff Peterson offered some suggestions on how to alter that and bring the number of filled positions even lower.

Mr. Peterson said he was struck by the structure of the recommendations. Basically what the study does is compare departments of the MWRA to similar departments at comparable utilities. The consultant then came up with percentages; for example, if you were at the 50th percentile in staffing of human resources, you would be average. If you were at the 25th percentile, you would be well overstaffed. If you were at the 75th percentile, you would be better than average. If you were in the 90th percentile, you would be in the top tenth for leanness. If you want to be at least efficient, you would aim to be in the top quartile, which is the 75th percentile and up. In a competitive utility, you would be looking to be “best in class” in some of these categories.

Every organization has a certain vision or mission. MWRA's numbers look very good on its direct staff; in fact, the staffing study was recommending that they get the best in class in three or four direct categories. But when you look at the support staff, which is probably three-fourths

of the function areas, they seem to be average. That seems unbalanced. It is not a good competitive position to be in; Mr. Peterson said that is why he put the spreadsheet together that summarizes MWRA's staffing level and how it compares to the best. For example, on wastewater treatment and conveyance, the MWRA has 477 people; if they had 13 less people, they would be tied for best in class.

The MWRA should at least be aiming for the 75th percentile in all categories.

Lou Taverna noted that the Authority still has major capital projects on the books, with a backlog. Mr. Peterson said it would have to be the right timing. Even if they want to be less aggressive and not go for the goal of best in class and rather aimed for the 75th percentile, what would the number of people that needed to be cut be versus the 36 recommended by the consultant? We would cut 102 and get the number of filled positions to 1,084. If we are going to use this study, we should get some value out of it, focusing on support staff.

Zig Peret noted that the MWRA has 60 communities to work with. The MWRA brings engineering staff out to Wilbraham to talk to our community. That might explain the numbers of people the MWRA has.

Mr. Peterson stated that having higher quality people in the finance department makes sense from a cost standpoint. For the finance group, you want highly paid people that know what they are doing.

Joe Foti added that it depends on your point of view. As an operations guy, he would rather have a great operations crew that can get the work done. Mr. Peterson said that is a Fred Laskey and Board decision as to how they want to build the organization.

Mr. Peret said there may be a reason for all of these engineers because they have to work with 60 communities versus the other comparisons they took from utilities that may only have to work with ten communities.

Mr. Favaloro said when he first saw the study, he expressed his disappointment. The study conducted gave an analysis of staffing in terms of numbers and the Authority, from this day forward, has an idea of where it is as an organization. Most of what will happen over the next ten years will occur through attrition, which means that when someone retires, they will have to determine if they will re-hire for that position or reconfigure the position.

All the last staffing study did was give the Authority a number, which ended up becoming its ceiling. Over the last six years, the Authority has been well under any of the numbers that were provided by the last consultant. This study seems to be doing exactly the same thing. We now know where they potentially are compared to everyone else. The biggest failure of the report is that even though the consultant said they had the greatest amount of data assembled to compare one entity to another, they didn't have like entities to compare to the MWRA. Now we have the opportunity to look at where the Authority wants to be and where they are currently.

Mr. Favaloro noted that a stunning result of this survey revealed that the average age of the MWRA employees is well above the national average. While it is nice to have a seasoned staff,

it is also imperative that when these employees retire or depart that the institutional knowledge doesn't leave with them without the remaining staff having that knowledge as well.

This throws in all the other layers of succession planning and is the Authority ready to take on these new challenges? This may be something the Advisory Board should look into every June to ensure that the Authority is moving forward in the right direction.

Chairman Dunphy said there is the risk that if MWRA does cut employees, the response for the communities when there is an emergency would not be as good; that isn't the direction that the communities want to go in. We want to see a responsible and thoughtful approach on how they reconfigure their workforce.

V. Executive Director's Annual Evaluation

Mr. Favaloro said staff has begun to relook at meetings for next year, locations and all. The Canton location doesn't work. It is too tight. For next year, we will meet in September at the Waterworks Museum in Chestnut Hill. The other Canton meetings will be at the Bradley Estate, though it will cost more money. The Bradley Estate meetings are the best attended.

Normally the Executive Committee doesn't meet in December. Mr. Favaloro said next week he plans to do an in-house retreat with staff on where we are and where we are going. Additionally, Mr. Favaloro suggested to Chairman Dunphy that the Executive Committee might want to do the same. It may be a healthy exercise for the Executive Committee and could take place in December. This is what we are; what do you want to be in two years?

Chairman Dunphy asked if members wanted to hold the Executive Director's evaluation today or take the information home and consider it. Members chose to take the information home since some members were not in attendance.

VI. Approval of the Advisory Board Agenda for June 21, 2012

A Motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE JUNE 21, 2012 MEETING**. It was seconded and passed by unanimous vote.

VII. Adjournment

A Motion was made **TO ADJOURN THE MEETING AT 9:52 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lou Taverna", written in a cursive style.

Lou Taverna, Secretary