



**EXECUTIVE COMMITTEE MEETING
FRIDAY, FEBRUARY 15, 2013
ADVISORY BOARD OFFICE
8:30 A.M.**

Minutes Approved at the March 15, 2013 Executive Committee Meeting

Present: John Sullivan, BOSTON; Tim MacDonald, CAMBRIDGE; Andy DeSantis, CHELSEA; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Nick Rystrom, REVERE; John DeAmicis, STONEHAM; Zig Peret, of WILBRAHAM.

Also in attendance, John Carroll and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Joseph Favaloro, Matthew Romero, Maggie Kenneally, Cornelia Potter and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

I. Approval of the January 11, 2013 Minutes of the Executive Committee

In the absence of Chairman Katherine Haynes Dunphy, Vice-Chairman of Operations Lou Taverna called the meeting to order at 8:39 a.m. A Motion was made **TO APPROVE THE JANUARY 11, 2013 MINUTES OF THE EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

II. Updates from Executive Committee Roundtable Discussion:

A. Frequency of Advisory Board Meetings

MWRA Advisory Board Executive Director Joseph Favaloro stated that based on discussion at the December roundtable, staff plans to suggest that the Chairman mention the elimination of the October Advisory Board meeting beginning in FY14 to Advisory Board members.

B. Advisory Board Lease

In regard to the Advisory Board's lease, it appears that the Advisory Board will be remaining in its current location until its lease expires, unless the landlord can find someone interested in renting this location. The MWRA has already negotiated out of its lease, with a plan to vacate the first floor. As part of that negotiation, Advisory Board staff actively began to engage the landlord in getting out of its lease for July 1; however, since the Authority's negotiations are already complete, it leaves very little leverage for the Advisory Board to bargain with. The landlord is seeking to recover a large amount of funds in order to break the lease; perhaps \$8,000 to \$10,000 would have been

acceptable; however, he was looking for \$50,000 to \$65,000. In two years, the Advisory Board will move down within the MWRA's floors.

C. Car Allowance

Staff will be reimbursed for a portion of their monthly parking expense at a rate of \$35.00 upon furnishing a receipt for this expense. Additionally, one vehicle will be designated as the "office vehicle" and will receive an additional \$40.00. Staff will continue to receive mileage reimbursement based on the IRS reimbursement policies, currently at 56.5 cents per mile.

III. MWRA's Proposed FY14 CEB – Assumptions, Planning Projections and Community Preliminary Assessments / Evolving Budget Review Strategy

Mr. Favaloro stated that budget review is always a challenge for the Advisory Board. This year the Authority is proposing a 3.9% rate revenue requirement increase from FY13. It includes a reduction of 20 positions, which came as a result of the staffing study that the Advisory Board had recommended. The proposed budget talks about the use of rate stabilization funds and the defeasance account, which will be used to pay off debt. Since the Authority has turned in a lean proposed budget, the challenge for the Advisory Board is how to begin to send a message as part of its budget review process.

For the first time, the Authority's planning projections assume the release of the reserves that are actually tied to debt issuances. The other piece of the reserves that is not shown in the planning projections is approximately \$42 million in released reserves that the Authority can use at its discretion. The Long-Range Rates Management Committee will have input on the use of these funds.

The Advisory Board's review is being done in terms of "yesterday, today and tomorrow." It was the Advisory Board that came up with the idea of a five-year capital spending cap. The Authority was in the \$200+ million range per year; the Advisory Board's recommendation for the FY13 review stated that the five-year spending cap being developed for the FY14 budget should be no higher than \$800 million. The Authority has proposed a five-year spending cap at less than \$800 million.

The Advisory Board has asked the Authority to restructure debt, which it has. In regard to reserves, the Advisory Board fought with the Authority for years on the levels of reserves. Finally, the Authority brought in a consultant to review its reserves and then agreed to change its reserve strategy, which will allow for the release of the reserves.

The Authority wanted to use the defeasance account strategy once and see how it went. The Advisory Board recommended that the defeasance account be ongoing. In the three years since it was implemented, it has been of significant benefit in paying down the biggest driver of rate increases at the MWRA and that is paying off the bonds on existing debt.

The Authority has been thrifty in its vehicle purchases. All MWRA vehicles within the next two months will have GPS tracking installed so that it can manage its fleet and workforce.

The strategic MIS plan, a long time in the making, is now being implemented. This will be a driver not only in making the Authority more technologically efficient, it will actually reduce its workforce as well.

The Authority has been the benefactor of stimulus funds for alternative energy, but it has also been a leader in finding additional revenues for solar panels, wind and water turbines and hydropower. Mr. Romero added that the Authority has also avoided costs for heating and electricity by using digester gas at Deer Island. It is worthy to note that the MWRA has embraced many of the suggestions that the Advisory Board has made.

Mr. Favaloro stated that the Governor 9c'd Debt Service Assistance (DSA). Authority and Advisory Board staff fought diligently to try to keep the line item alive. This past week, staff met with the Speaker of the House to share our concern.

The Governor's House 1 Budget talks about the need to fix infrastructure and the importance of transportation. Come June 30, there may be an increase in the income tax, sales tax or fees of some sort and that will create a pot of about \$1.7 billion going to transportation, education, etc. Although the Advisory Board understands that these are important priorities, there has not been one word mentioned about water and wastewater infrastructure.

Mr. Favaloro stated that he met with Secretary of the Executive Office of Energy and Environmental Affairs Richard Sullivan and noted that the only time that the Governor has mentioned water and wastewater in the last two years was at a press conference where he said he had a lot of major incidents that he had to deal with, which included the water pipe break. Water and wastewater issues are not on the Governor's radar screen. Mr. Favaloro implored the Secretary to help to gain the Governor's recognition on water and wastewater infrastructure issues.

According to the Governor, infrastructure is critical to economic development, it is critical for public safety and needs to have continuous service – you have to have roads and bridges, etc. MBTA fares can't be raised too high for the end users. The end result is that there is \$1.7 billion to deal with the transportation issues. Water and wastewater infrastructure is critical to economic development, it is critical for public safety, and it needs to have continuous service. Everyone is concerned about retail rates but the Governor has put zero dollars toward the issue.

Mr. Romero noted that not only is the Authority instituting the Advisory Board's recommendations, it is an agency that is not "in the news," in a manner of speaking, but what is the solution? Run everything into failure the way the MDC did or mismanage ourselves the way the MBTA did so that the Authority can get money? The MWRA is an agency that is doing it right and the reward for actually getting it right and doing what

it was charged to do and maintaining that charge is zero dollars; yet the state throws billions at the mismanaged agencies.

Advisory Board staff wants to work on new revenue sources. Economic development really hits upon the right argument but there has to be a way to make it resonate. It is clear that roads and bridges are needed for commerce to flourish; however, infrastructure is not only above ground, it is underground as well and needs to be addressed.

Mr. Favaloro stated that if the MWRA is going to be abandoned by the state, why should three members of the Board of Directors come from the state? If the state doesn't want to participate, it should not be on the Board. Mr. Favaloro stated that the current Secretary of Environmental Affairs has been the most approachable Secretary and seems to understand the issues but the reality is he has to carry the Governor's agenda.

Mr. DeAmicis said an initiative to revisit the composition of the MWRA Board of Directors would have his full support because the Board reflects the world of 25 to 30 years ago, not the world of today. Mr. Favaloro said that is part of what staff is going to be looking at over the coming months.

John Carroll stated that staff's approach from the top down is not necessarily the correct approach. The MWRA and the Advisory Board are doing what they are supposed to do and everyone is trying to get the rates down. The problem is that there has never been a rate revolt. The Advisory Board should work from the bottom up. Try to get a sense, in some fashion, if people in the MWRA service area feel they are paying too much for water and sewer. If people feel they are paying too much, they will go to their legislators for help. From the bottom up, there has to be dissatisfaction out there that people feel they are paying too much for water and sewer.

Andy DeSantis stated that at least once a week, someone in Chelsea complains about their water and sewer bill. No one shows up to the hearings, but when they come in with their bill or to talk about some issue, water and sewer rates always come up. How do you get it to the state level?

Mr. Carroll said you start by doing surveys so that some newspaper stories start to appear. Norwood doesn't have anyone coming in to complain about their water and sewer bills even though there are rate increases every year; the increases go through without a problem. The Governor isn't worried about water and sewer because nobody is knocking at his door to complain.

John Sullivan agreed stating that transportation issues are horrible and people are complaining, so the Governor is saying, "I have to take care of that." People are fed up; whether it is mismanagement or not, it doesn't matter, the populace says, "make this work." The MWRA also has to be careful not to look foolish; it can't just have a strategy

of complaining that it doesn't receive any funding when it seems to be able to self-sufficiently take care of itself.

Mr. DeSantis noted that when you are stuck in traffic or having trouble on the T, you blame the state. How do we move blame for the water and sewer rate increases to the state, rather than the communities? The interaction between individuals is with the communities, not with the MWRA or the state.

Mr. Carroll stated that politicians respond to dissatisfaction. Somehow you have to convince people that they are paying too much for water and sewer at the local level.

Bernie Cooper said he doesn't see the state getting excited about rate increase of 3.9%. Mr. Favaloro noted that the 3.9% rate increase proposed for FY14 is still an increase of about \$25 million. Mr. Carroll said the problem is that we have all done too good of a job.

Mr. Favaloro stated that he believes the Senate President will be bringing an initiative forward on water and sewer because of the Cape's needs. Staff is trying to schedule time with Chairman Brewer of Senate Ways and Means to make sure that whatever comes out of the senate initiative includes a piece for the rest of the state as well.

Mr. Cooper said the state was responsible for much of the mess that the Authority has dug us out of and should still bear some of the responsibility for the costs that were shoveled onto the Authority.

Mr. Favaloro said the Advisory Board isn't going to be able to do much with the MWRA's budget, which is a compliment to the MWRA and even more so to what the Advisory Board has been able to accomplish.

IV. Status: Economic Development Report

Mr. Favaloro said staff has had weekly briefing meetings with the Collins Center at UMass/Boston and has a working outline that talks about economic development and historic analysis. The Collins Center is now putting together case studies that talk about economic development and infrastructure and where in fact throughout Massachusetts and the country that an investment to water and wastewater infrastructure has had a positive impact on the local economy.

For this area, the Boston Harbor Project, with its new wastewater treatment plant in compliance with the Clean Water Act, has been significant in the development of the South Boston waterfront.

Stoughton will also be used as an example on what it has done since coming into the MWRA system.

The timing of this report is critical. It will give the Advisory Board some support for its discussions with the legislature and, hopefully, with the Governor and his staff. A good working draft of the report should be available by next month's Executive Committee meeting. The Caucus will meet sometime in March.

V. Report of the Operations Committee

Lou Taverna said there was spirited discussion at yesterday's Operations Committee meeting about standby fees and emergency fees. Mr. Favaloro added that it is one thing to talk about meters and peak rates, now it is time to put numbers next to ideas. Once the numbers are added, it may answer the question on whether any of this is really worth doing.

A lot of this discussion is centered on Framingham. Framingham has the right to leave the system but it leaves everyone else holding the bag. If Framingham isn't taking the water that is assessed to them, the current methodology lets them off the hook for any capital costs and their portion of \$7.6 million would now be spread amongst the rest of the communities. Mr. Taverna noted that there was a lot of infrastructure built on Framingham's behalf when the MetroWest Tunnel was built; the MWRA built shafts, valves and pipes to accommodate Framingham and now they want to exit the system. Mr. Favaloro said is that fair? The time to have this discussion is now. The collective body will determine what is fair and reasonable. Do the communities want to touch the methodology at all?

On the wastewater side, if a community leaves, it still has to pay for the capital costs. The water methodology doesn't account for the capital costs if a community doesn't buy water.

Mr. Taverna said on the wastewater side, the discussion was more straightforward; the committee gave the Authority direction to move ahead on a study of the unmetered sewer areas on a fast-paced (12-month) basis. The committee also gave a green light to begin a study on a sewer meter replacement program in the next five to six years when the meters approach their maturity.

Mr. Favaloro said as the Authority puts in temporary meters that determine the scaling factors on what the flow is that the communities are going to be assessed, the cities and towns will likely be asked by the Operations Committee to vote for a full moratorium on any charges, pluses or minuses, to any community for that 12-month period because it would be inherently unfair if the first community to have a meter installed is found to be undercharged by \$1 million and they would start assessing them in the first month and a community completed in the twelfth month that had been undercharged would only have to pay beginning in the twelfth month.

Mr. Sullivan asked what would happen if a community comes in now and says it thinks it is currently being over-charged and wants to preserve its rights from here moving forward to recoup its funds. Does that mean this vote would wipe that out for them?

Mr. Favaloro said anything is fair game between now and a vote of the communities. The agreement would be that everything is put on hold.

Mr. Taverna said on a side note, the Authority talked about the possibility of a turn-key company with the new sewer meters. A company would come in and run the meter system, collect the data, maintain the equipment and do the operations and give the Authority the sewer flow totals. Mr. Taverna said he was not sure that it is a good idea because then the communities wouldn't get the one to one service with Marcis Kempe and Charlie Calappa, but rather information from a black box someplace in Arizona.

VI. Approval of the Advisory Board Agenda for February 21, 2013

A motion was made **TO APPROVE THE ADVISORY BOARD AGENDA FOR THE FEBRUARY 21, 2013 MEETING**. It was seconded and passed by unanimous vote.

VII. Adjournment

A motion was made **TO ADJOURN THE MEETING AT 9:57 A.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,



William Hadley, Secretary