

**MWRA ADVISORY BOARD MEETING / PUBLIC HEARING
MARCH 21, 2013
WELLESLEY FREE LIBRARY
530 WASHINGTON STREET, WELLESLEY, MA**

MINUTES APPROVED AT THE APRIL 18, 2013 MEETING

**ADVISORY BOARD PUBLIC HEARING ON
MWRA'S PROPOSED FY14 CURRENT EXPENSE BUDGET**

Forty-seven people were in attendance, including twenty-seven voting members: Michael Rademacher, ARLINGTON; David Manugian, ASHLAND; Michael Bishop, BELMONT; John Sullivan, BOSTON; Jay Hersey, BROOKLINE; John Sanchez, BURLINGTON; Tim MacDonald, CAMBRIDGE; Jason Mammone, DEDHAM; Peter Sellers, FRAMINGHAM; J.R. Greene, Barbara Wyatt and Richard Palmer, GUBERNATORIAL APPOINTEES; Bill Hadley, LEXINGTON; Dan O'Neill, LYNN; Amy McHugh, MARBLEHEAD; Katherine Haynes Dunphy, MILTON; John Cosgrove, NEEDHAM; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Michael Coffey, QUINCY; Jeff Zager, READING; John DeAmicis, STONEHAM; Jack Mitchell, STOUGHTON; Patrick Fasanello, WALPOLE; Walter Woods, WELLESLEY; Jeff Bina, WEYMOUTH; Joe Lobao, WILMINGTON.

Also present: Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Paul Barden, FRAMINGHAM; Scott Gustafson, WALPOLE; William Shaughnessy, WELLESLEY; Nancy Bryant, SuASCO WCC; Andreae Downs, WAC; Lexi Dewey, Jerry Eves and Bill Fadden, WSCAC; Fred Laskey, Michael Hornbrook, Kathy Soni, Andrea Rex, Pam Heidell, Tom Durkin and Dave Whelan, MWRA STAFF; Joe Favaloro, Maggie Kenneally, Cornelia Potter and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

**ADVISORY BOARD PUBLIC HEARING ON
MWRA'S PROPOSED FY14 CURRENT EXPENSE BUDGET**

Chairman Katherine Haynes Dunphy called the Public Hearing to order at 11:36 a.m.

For the record, Chairman Katherine Haynes Dunphy read the official notice of the public hearing, which was published in the Boston Herald on March 1, 2013: The MWRA Advisory Board will hold a public hearing on Thursday, March 21, 2013 at the Wellesley Free Library, 530 Washington Street, Wellesley, MA at 11:30 a.m. on the components of the Authority's proposed \$660.563 million FY14 Current Expense Budget. The Authority must adopt the proposed budget on or before June 30, 2013. The Advisory Board is empowered by statute to make comments and recommendations on the proposed budget. Copies can be examined at the offices of the Authority at 100 First Avenue in Charlestown. Written comments received at the office of the MWRA Advisory Board, 100 First Avenue, Building 39-4, Boston, MA 02129-2043 or via email at mwra.ab@mwra.state.ma.us, no later than May 6, 2013, will also be considered.

MWRA'S PROPOSED FY14 CIP AND CEB – Kathy Soni, MWRA Budget Director

MWRA Budget Director Kathy Soni gave a presentation on the Authority's Proposed FY14 Current Expense Budget. Ms. Soni stated that the MWRA now looks at its budgets in the aggregate, working on the Capital Improvement Program (CIP) and the Current Expense Budget (CEB) at the same time. (Ms. Soni's presentation can be viewed on the Advisory Board's website at: <http://mwraadvisoryboard.com/wp-content/uploads/2013/03/FY14-Proposed-AB-presentation-on-CEB-and-CIP.pdf>.)

Fiscal year 2014 marks a significant milestone, both in the CIP and the CEB. On the capital side, FY14 will be the first year of the Authority's next capital spending cap. The first spending cap was established in FY04 with the intent of serving as a tool for planning purposes to have a cap with a "not-to-exceed" amount for the capital program. The cap has worked well through the years and this will be the third cap. The cap being proposed is an historic low in comparison to the others.

In terms of the CEB, staff has an assessment increase recommendation of 3.9%. Fiscal Year 2014 will mark the first time that the Authority will be paying more in principal than it borrows.

In regard to the capital spending caps, the first cap was about \$1.1 billion over the five-year span; the second cap was similarly budgeted at \$1.1 billion; the five-year cap being proposed for the FY14 to FY18 timeframe is below \$800 million, which is a very significant decrease.

From FY14 to FY18, for the first time the Authority will see its debt burden reduced and will begin a new era of paying more principal than it borrows, which is very encouraging. Furthermore, in FY18, the principal being paid back is going to exceed the interest.

The Authority's long-term strategy is to support its core operation and to pay this huge \$5.8 billion debt off as soon as possible.

When staff developed the FY14 budget, it took into consideration certain things. In FY11, the Authority had a 1.5% increase because of the economic situation. Staff is cognizant of the fact that the economy has not turned around yet, even though there are signs of improvement, and that the communities and the ratepayers are having a difficult time.

Staff has focused its efforts on expenses that can be controlled, although there are numerous expenses for which the Authority has no control; for example, payments in lieu of taxes (PILOTs), chemicals and utility costs.

The Advisory Board recommendations recognized that the Authority's capital program is changing. Mandated projects are nearing completion so the Authority will be focusing on asset protection and redundancy initiatives. MWRA will put a lot of effort into prioritizing projects mostly coming from the Master Plan.

Staff usually keeps a projection for the ten-year horizon in terms of the rate, keeping in mind that so many things can change over that time period; however, this time, staff really tightened its assumptions in terms of what kind of inflation and capital spending there will be going forward.

To recap the big numbers: \$660 million is proposed for the Current Expense Budget and the capital spending cap being proposed is just under \$800 million for the five-year period, with first year spending being about \$138 million.

Large capital projects include the Hultman, which is nearing completion; UltraViolet (UV) disinfection, which is an ongoing project scheduled to be completed in spring 2014; and the Spot Pond Covered Storage Facility, which is a \$30 million project.

In terms of the risk factors in the FY14 proposed budget, staff is still assessing whether the pelletizing plant will need to be rehabilitated or replaced; a decision will need to be made for the Sudbury Aqueduct on whether a tunnel or surface pipe will be utilized; additionally, new regulatory mandates are always challenging.

For FY14, staff was able to achieve a proposed 3.9% increase in the rate revenue requirement versus a 4.4% increase, which was projected last year at this time.

Tools staff uses to try to maintain sustainable and predictable rate increases include the use of a defeasement account, bond redemption and rate stabilization funds. In excess of \$100 million in reserves will be released in 2016. The FY14 proposed budget includes \$75 million of those reserves in the planning estimates for the first time.

For FY14, there is a significant reduction of 20 positions from Wages and Salaries. An effort is also being made for succession planning because the average age of the MWRA employees is about 51 and numerous retirements will be coming up. Rate stabilization funds of \$3.5 million are also being utilized in the FY14 budget.

Pension funding is based on the latest actuarial evaluation but there was a change regarding mortality assumptions because people are living longer lives, which means the exposure is higher and resulted in a \$2 million increase. The Other-Post Employment Benefits (OPEB) obligation is being viewed by the Authority as parallel or interchangeable with the Pension obligation. Staff made a decision, which the Board of Directors supported, to pay off the Pension liability first and after achieving full amortization of the Pension liability, the OPEB obligation will be addressed.

Debt service remains the largest driver of the Authority's budget increases.

Advisory Board designee Richard Palmer noted that energy costs for FY14 are planned to be nearly identical to this year; is that because staff does not anticipate an increase in prices or because the usage is declining and will offset an increase in price. Ms. Soni stated that the Authority received good pricing. Electricity pricing is based on natural gas pricing. Because natural gas is plentiful, it is reflected in lower electricity pricing. In terms of the usage, the MWRA would still be at about the same level. Additionally, self-generation of electricity is a huge part of the MWRA's overall energy portfolio; close to 45% of the energy is generated through renewable sources.

The rate revenue requirement increases between FY14 and FY23 are still projected at an average increase of \$24 million per year. To put that in perspective, \$6 million equates to a 1% assessment increase for an average of 4%.

Challenges for the Authority going forward include market conditions, regulatory requirements, the Pension/OPEB obligations, limited restructuring opportunities in the near term, the uncertainty in

health insurance increases, limited system expansion opportunities, and continued prioritization of the capital projects to ensure that the projects do not exceed plus or minus 20% in any one year of the five-year capital spending cap. Further, there are some detrimental effects because of federal budget cuts on the SRF program; debt service continues to be a challenge, along with inflationary pressures.

Designee Pat Fasanello stated as the MWRA's infrastructure gets older, the Authority will do repairs and replacements. Will that be budgeted through borrowing or will it be "pay as you go"? Ms. Soni stated that the MWRA is doing a combination of things. For capital projects, money is borrowed; but staff is also raising a certain amount of current expense revenue and on top of that there is a maintenance program that is in the range of \$26 to \$28 million annually in the Current Expense Budget.

Mr. Palmer asked the average current rate of borrowing on debt. Ms. Soni said based on the last borrowing, it was 4.3% averaged over all the debt.

An audience member noted that the average age of the MWRA employees is 51. He asked Ms. Soni if she knew the average age of retirement. Ms. Soni said the age varies but the reality is that people are staying longer. MWRA Treasurer Tom Durkin said there is a disparity in the ages of people who retiring; there are some that are retiring at 55 because they can and others who are waiting to retire in their 80s because they want to. Given the changes that are coming with the post retirement health insurance, people may not be so eager to retire at 55 if they are not eligible for the age 60 health insurance.

*Hearing no further comments from members of the public, Chairman Dunphy **CLOSED THE PUBLIC HEARING AT 12:19 P.M.** The Motion was seconded and passed by unanimous vote.*

Advisory Board Meeting

A. APPROVAL OF THE JANUARY 17, 2013 MINUTES OF THE ADVISORY BOARD

Chairman Katherine Haynes Dunphy called the Advisory Board meeting to order at 12:19 p.m. A motion was made **TO APPROVE THE JANUARY 17, 2013 MINUTES OF THE ADVISORY BOARD.** It was seconded and passed by unanimous vote.

B. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated that the MWRA's statutorily required public hearing on its Proposed FY14 Current Expense Budget will be held on April 2, 2013 at 6:30 p.m. at Boston City Hall.

A major policy discussion that was initiated as part of the FY13 budget discussions regarding primacy on the wastewater side was moved forward by a vote of the legislature, which included funding for DEP to do a complete analysis on primacy. DEP has put together a NPDES Delegation Advisory Committee, of which MWRA's Chief Operating Officer Michael Hornbrook is a member. The first meeting is scheduled and staff will keep you informed.

Mr. Favaloro brought forward a letter that the Advisory Board plans to send in support of changes that the Governor made to House Bill No. 59, "*An Act Providing Retiree Healthcare Benefits Reform*". Further, a comment letter was sent by Advisory Board staff in support of DCR's response to the STAC Report.

C. COMMITTEE REPORTS

Operations Committee – Lou Taverna

❖ **MYSTIC RIVER UPDATE** – Michael Hornbrook, MWRA Chief Operating Officer and Andrea Rex, Director of ENQUAD

Mr. Favaloro stated that an article ran in the Boston Globe recently that was entitled “*A Steady Flow of Trouble*”. In an op-ed piece that ran in the Boston Globe, Mr. Favaloro said something that dismayed the EPA. Mr. Favaloro said he invited Michael Hornbrook and Andrea Rex to put facts behind some of the discussion that was written on the Mystic.

MWRA Environmental Quality Department Director Dr. Andrea Rex stated that EPA, based on data collected by the Mystic River Watershed Association, gave the Mystic River watershed a grade of “D.” Quotes in the article describing the Mystic stated that it “lags far behind the beloved Charles” and it was also described as an “urban ditch”. That does not reflect the Mystic that MWRA staff has experienced or the data it has collected.

There are a number of water quality issues in the Mystic watershed. DEP has described them in its most recent water quality report including eutrophication due to excess nutrients, invasive species, contamination in fish and sediments, especially polychlorinated biphenyls (PCBs) and polycyclic aromatic hydrocarbons (PAHs) and mercury. There are a lot of dams that have impacts on fish passage and there is not enough water in the river. The grade is basically based on pathogens and that is measured as sewage indicator bacteria.

There are three types of indicators measured in the Mystic – fecal coliform, e-coli and enterococcus. They are all perfectly acceptable indicators and the patterns for all of them are similar. EPA grades them based on bacteria only.

It is also important to note that people’s backyards drain directly into the Mystic; there is typically not a big buffer zone between turf and water, which isn’t the healthiest situation.

Water quality monitoring in the Mystic is carried out by two organizations – the Mystic River Watershed Association and the MWRA. MWRA began its water quality monitoring in 1989 to monitor the effects of overflows on the river and to monitor changes in the river as the Combined Sewer Overflow (CSO) Plan was implemented. The MWRA chose stations along the river, particularly in Alewife Brook and along the main stem, outside the mouths of CSO outfalls, at the mouth of the Alewife and upstream of the Alewife.

In 2000, the Mystic River Watershed Association wanted to begin a monitoring program as well and started in collaboration with the MWRA since the MWRA already had the main stem pretty well covered. The watershed association chose stations throughout the watershed and they monitor 15 different locations monthly. They have one location on the main stem and another location in the Mystic lakes but, otherwise, they are scattered through the watershed and their data is the data upon which EPA’s grade is based. EPA did not choose to use any of MWRA’s data.

The Mystic River Watershed Association’s best water quality samples are in the upper Mystic Lake which meets the standards nearly all the time. In the Mystic River main stem, there is rather poor water quality in many of the smaller tributaries and the Malden River is spotty.

MWRA's monitoring results were divided into different segments of the Mystic and figured out how many samples were meeting swimming standards during different weather conditions for each river segment.

From 2010 to 2012, the Alewife Brook had a poor showing and is the most severely impacted area that the MWRA monitors. Only 6% met standards in heavy rain and less than half met the standards in dry and damp weather.

The situation changes in the Upper Mystic, which meets the water quality standards in all weather, with 95% meeting the standards in dry and damp weather and one-third meeting the standard in heavy rain.

In the lower Mystic basin, 98% of the samples meet the water quality standards in dry and damp weather and even in light rain; in heavy rain about half of the samples meet water quality standards. The lower Malden is similar to the Lower Mystic Basin.

The Mystic River mouth, which includes the Somerville marginal outfall, meets the standards in the mid-80s to 90s in dry and damp weather and more than 60% in heavy rain.

Since the newspaper article compared the Mystic River to the lower Charles, averaged over three years, the Mystic River, not including Alewife Brook, averaged about 80% of the samples meeting the swimming standards compared to 86% in the Charles. The pattern is similar for different rainfall conditions, with 42% in the Mystic in heavy rain and 55% in the Charles; 86% in the Mystic in light rain and 93% in the Charles; 96% in the Mystic in dry weather and 95% in the Charles. Bacteriologically, both bodies of water are similar; heavy rain does impact both bodies of water and both are pretty good in dry weather.

MWRA samples its monitoring stations approximately 30 to 40 times per year. In the Mystic, it represents 400 to 600 samples per year. The Mystic River Watershed Association samples its 15 stations 12 times per year.

Designee John DeAmicis asked what Dr. Rex's conclusions are about the Mystic. Dr. Rex said the Mystic River itself is not in terrible condition. EPA's website notes that their grade applies to the Mystic River Watershed, which totally got lost in the Boston Globe article. The watershed certainly has a lot of problems and the river has real problems due to nutrients and eutrophication. Algal overgrowth is a serious problem. Dr. Rex noted that if she had to take a dip into the Mystic River in dry weather, it would not bother her a bit.

Chief Operating Officer Michael Hornbrook noted some of the projects that have been going on in the Mystic River to improve water quality in the Mystic River receiving waters. As part of MWRA's Long-Term CSO Control Plan, the MWRA has already spent \$175 million in the Mystic River Watershed on CSO projects. In addition, an extensive project on the Alewife Brook is scheduled as part of the Long-Term CSO Control Plan.

❖ **DEP REGULATORY REFORM DRAFT REGULATIONS** – Michael Hornbrook, MWRA Chief Operating Officer

Mr. Hornbrook stated that DEP has issued revisions to a number of regulations. There is an extensive volume of changes. These changes will directly impact every community. A public comment period is coming up in the near future, with written comments due by May 10, 2013.

There are ten different regulations that are impacted with these public notices. It is presented as part of DEP's Regulatory Reform Initiative. DEP announced months ago that it was going to end its sewer connection program and sewer extension program permits and that it was going to streamline government by coming out with Regulatory Reform Initiatives. These reforms will definitely impact all of the communities and the MWRA.

Communities should be aware of these changes because it may impact the community and/or the jobs that are done in your community everyday on what is done for the Wetlands Protection Act and the waterways.

Mr. Hornbrook highlighted two of the changes: 314 CMR 12.00 (Operations & Maintenance and Pretreatment Standards for Wastewater Treatment Indirect Works and Dischargers) – this regulation is being revised to include more provisions on the collection systems; 314 CMR 7:00 – (Sewer System Extension & Connection Permits Program – to be deleted) – for large developments greater than 15,000 gallons per day, the state would issue a sewer extension permit and when they issued it, they would require I/I removal, which might be on a 4 to 1 basis or a 10 to 1 basis. DEP is getting “out of the business” and will push this down to the local level requiring the communities to do it.

DEP is also doing changes on Title 5, groundwater discharge, water quality criteria for dredging, operators of wastewater treatment and site specific metals of copper and zinc for surface discharges.

DEP's summary explains how they want to focus their attention. They say the sewer extension permits are a duplicate effort and they want to free up time to assist communities with I/I removal. Their focus will be on I/I and capacity issues of the collection sewer systems. They want to focus on SSOs and reporting of SSOs and industrial pre-treatment. This will give them a direct and easier line for enforcement.

It also includes the MWRA regional system, as well as community-owned collection systems. They are going to require the community to set up an I/I Program for its collection system. That program is to identify and eliminate I/I within your system. It also has specific sanitary sewer overflow (SSO) reporting requirements. All of you are doing it now with the DEP forms but they are putting it into a regulation, not a form.

This is a big one – they are adding sewer system evaluations and capacity analysis. Communities will be required to do an analysis of their systems and identify areas where there are bottlenecks that may lead to an SSO and address those capacity deficiencies. In some cases, DEP will require some municipalities to establish an offset program for chronic overflow areas, or, in their words, potential problem areas. Additionally, they have some pre-treatment standards that they are putting in under Operations and Maintenance that are mainly going after fats, oils and greases to address it in a collection system.

In the I/I program they have specific requirements. Communities need to develop and implement an ongoing program for I/I removal, including how much it is going to cost and where the funding will come from. It is going to have to identify the presence and the quantity of I/I. A completed I/I Program must be done and submitted to DEP by December 31, 2017. Communities will be required to do metering and will have to identify excessive locations that may run the risk of SSOs during wet weather, specifically a five-year, 24-hour storm. A five-year 24-hour storm is about four inches of rain. The program must be updated every ten years. DEP has to approve each

community's I/I program and the sewer use ordinance plans and a means to address I/I in the schedule. The plan must address how to mitigate new connections over 15,000 gallons per day with a four to one removal. This impacts any CSO co-permittee with a NPDES permit, any sewer system tributary to a CSO system and, finally, wherever DEP determines there is an SSO risk. Along with this, a sewer use ordinance must be submitted that gives the community the authority to get into a private home for inflow reduction and it has to have penalties associated with it.

As far as SSO reporting, most communities already follow these procedures now. Unanticipated SSOs must be reported as soon as you have knowledge but no later than 24 hours later. A written report has to be submitted within five days on what has been done, how it was cleaned up and how a reoccurrence will be prevented.

Sewer backups are open to an interpretation of DEP's definition and whether a sewer backup is an SSO. A sewer backup that comes into a home will come under this reporting requirement. .

These are important issues with significant changes. The communities need to be aware of these revisions.

Public hearings are set. Written comments are due May 10, 2013. They will get comments in favor of this from environmental groups. Two sides need to be shown.

Mr. DeAmicis asked if the MWRA would have written comments. Mr. Hornbrook said yes.

Pat Fasanello asked if the cities and towns have been notified. Mr. Hornbrook said he did not know how DEP sent out its notifications. Mr. Favaloro said he talked to the Secretary's office and followed up with Assistant Commissioner Bethany Card and told them they might be best served if they called some informational meetings because Mr. Favaoro didn't think communities were aware of the size, scope and timing of these changes. She said she felt communities were aware and that there had been informational meetings. Mr. Favaloro asked how many communities were involved with informational meetings on significant regulatory changes by a show of hands; no hands were raised. Ms. Card indicated that she would get back to Mr. Favaloro in the next day or so. Mr. Favaloro said that he offered up Mr. Laskey, Mr. Hornbrook and the MWRA Advisory Board to call an informational meeting for them to provide highlights.

Executive Committee – Katherine Haynes Dunphy

❖ **UPDATE: ECONOMIC DEVELOPMENT STUDY**

Mr. Favaloro stated that the consultant continues to work on the study that will make a direct link between water and wastewater infrastructure and benefits to the local and state economies. Staff hopes to have the report before the Advisory Board in the next couple of months.

❖ **LEGISLATIVE UPDATE**

The House Budget will be out in early April followed by the Senate. Discussions have begun with House and Senate leadership to see if Debt Service Assistance can be included; however, it would likely be vetoed.

As part of its legislative package, the Advisory Board has tried to find different ways to have funding included in the budget and introduced the Chemical Reimbursement concept to the House Chairman of Ways and Means as a way to insulate this funding.

Staff continues to work to have water and wastewater recognized as “infrastructure” along with the Transportation Bill.

❖ **PROCESS AND TIMELINE TO ELECT AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS**

Joseph Foti’s term as a member of the MWRA Board of Directors expires this June. Mr. Foti has indicated his desire to remain on the Board. The process is open to any and all designees. A letter of intent and resume must be submitted to the Advisory Board by May election process for May 8, 2013. The Executive Committee will once again serve as the Nominating Committee. A vote will be held at the May Advisory Board meeting. This is one vote per community; it is not a weighted vote. A quorum of 33 voting members is required.

D. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:12 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

William Hadley, Secretary