



Advisory Board Meeting

Thursday, May 15, 2014
11:30 AM

Samuel Hadley Public Services Building
201 Bedford Street
Lexington, MA

Attendees (Voting Members)

M. Rademacher	Arlington	Amy McHugh	Marblehead	Nick Rystrom	Revere
David Manugian	Ashland	Cassandra Koutalidis	Medford	Brendan O'Regan	Saugus
Michael Bishop	Belmont	Andrew Street	Melrose	John DeAmicis	Stoneham
John Sullivan	Boston	Katherine Dunphy	Milton	Jack Mitchell	Stoughton
Jay Hersey	Brookline	Thom Donahue	Nahant	Carol Antonelli	Wakefield
John Sanchez	Burlington	Craig Leiner	Natick	Pat Fasanello	Walpole
Tim MacDonald	Cambridge	John Cosgrove	Needham	Walter Woods	Wellesley
Andrew DeSantis	Chelsea	Lou Taverna	Newton	Joe Lobao	Wilmington
Robert King	Framingham	Bernie Cooper	Norwood	James Gibbons	Winchester
J. R. Greene	Gubernatorial	Michael Coffey	Quincy	Tom Reilly	Winthrop
William Hadley	Lexington	Jeff Zager	Reading		

Other Attendees

Joe Pato	Lexington	Fred Laskey	MWRA	Andreae Downs	WAC
Vincent Roy	Needham	Rachel Madden	MWRA	Joseph Favaloro	AB Staff
Joe Welch	Norwood	Kathy Soni	MWRA	Matthew Romero	AB Staff
Christopher Smith	Walpole	Kevin McCluskey	MWRA	Cornelia Potter	AB Staff
John Carroll	MWRA BOD	Dave Whelan	MWRA	Travis Ahern	AB Staff
A. Pappastergion	MWRA BOD	Pam Heidell	MWRA	Mary Ann McClellan	AB Staff
Joe Foti	MWRA BOD	Phil Jasset	UCANE		

Fifty-two people were in attendance, including thirty-two voting members.

MINUTES APPROVED AT THE SEPTEMBER 18, 2014 MEETING.

A. APPROVAL OF THE MARCH 20, 2014 MINUTES OF THE ADVISORY BOARD

Chairman Katherine Haynes Dunphy called the MWRA Advisory Board meeting to order at 11:41 a.m. A motion was made **TO APPROVE THE MARCH 20, 2014 MINUTES OF THE MWRA ADVISORY BOARD.** It was seconded and passed by unanimous vote. Director of Public Works William Hadley welcomed everyone to Lexington.

B. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro expressed his thanks to Advisory Board staff members Matthew Romero, Cornelia Potter and Travis Ahern for their efforts in producing this year's *Comments and Recommendations*. Additionally, there is a solid working relationship between the Advisory Board and Fred Laskey and MWRA staff that allows for this process to be transparent and brings an end result that is both beneficial to the Authority and, most importantly, to the ratepayers.

Mr. Favaloro noted that the federal government has notified the Commonwealth of Massachusetts that it will provide two-thirds of the costs for the dredging of Boston Harbor to allow cruise ships and larger cargo tankers to come into Boston to help with economic development. NSTAR, through HEEC, installed an underwater cross harbor cable that provides power to the Deer Island Treatment Plant. The MWRA paid for the installation of this cable. Now this cable is in the way of the dredging and the starting and ending position of the MWRA Advisory Board is that the MWRA only pays for things once. HEEC wants the Authority to pay for it again at \$20+ million. The Advisory Board's position is that the number should be zero.

C. ACTION ITEM/PRESENTATION: ADVISORY BOARD INTEGRATED COMMENTS AND RECOMMENDATIONS ON THE AUTHORITY'S PROPOSED FY15 CIP AND CEB

Mr. Favaloro stated that staff has had discussions with Authority staff regarding its recommendations and the Authority has been supportive and helpful on moving many of these recommendations forward.

Director of Communications Matthew Romero stated in an effort to save paper, staff has posted the document to the "cloud" and is making daily edits if members want to see the changes in real-time.

The theme of this year's *Comments and Recommendations*, as the four most important components of our Comments, is Mount Rushmore. The first of the Mount Rushmore faces is the CIP/CEB review. Staff is trying to balance two competing things. One is lowering the rate assessment increase for the proposed FY15 CEB. The Advisory Board has realized that the challenge is the long game, the marathon, not the sprint; the Authority has projected rate increases over the upcoming years of over 4% and the Advisory Board has challenged the Authority to get below that number.

The Proposed FY15 CEB is at 3.57% and the Advisory Board's recommendation would bring that down to 3.44%. FY16 through FY20 all have increases projected over 4%, with FY17 and FY20 being the particularly tough years. The good news is that these increases continue to come down. For example, FY17 was much closer to a double-digit rate increase a few years ago and after the actions of the MWRA Board of Directors yesterday, the number is closer now to 5%.

Rather than try to bring too much out of FY15, staff is trying to focus on preserving its options for the upcoming years.

In the past, staff had introduced the concept of "pay it forward" where any Debt Service Assistance (DSA) received would be applied to the following year's rate increase. Mr. Favaloro had indicated that this is one of the areas where the Authority not only took our recommendation but has already brought it forward to the Board as a concept that they are buying into.

For example, in 2014, the MWRA actually received in-hand \$853,660 in DSA. These funds had not been budgeted for because DSA could be vetoed; the Authority does not budget for funds until they are actually received. The Advisory Board proposed taking the money that was actually received in FY14 and pushing it forward to FY15 and that forms the basis of its recommendation to reduce the FY15 CEB proposed rate increase, by tweaking that downward 0.13%.

If we were to take that same split of dollars that the Authority managed to get this year and project it forward to the \$1.1 million for DSA that we are seeing currently, the Authority's share would be about \$940,000. Staff proposes to make this a standing practice where next year these funds would be applied to the FY16 CEB and take that immediately off the rate revenue requirement directly. When the Authority staff or the Advisory Board staff go up to the legislature seeking money they can show the legislators that they will see the direct benefit to the ratepayers in the immediately following fiscal year.

Staff continues to review every line item with a "find every dime" approach. At this point, staff has found \$1.4 million in expenses that the Authority has in its proposed budget that it recommends being removed or reduced. Instead of taking that directly off the rate revenue requirement, staff would like to back that out of the intended use of rate stabilization funds. In the FY15 proposed budget, there are \$7.9 million in rate stabilization funds that are intended to be used at this time. The rate stabilization funds, not counting bond redemption funds, total \$36.5 million. In essence, a little over 20% of the rate stabilization funds are being used to help ensure that next year's rate increase is in the 3.6% range that the Authority originally proposed. Taking it off of the use of rate stabilization funds would preserve it as a tool moving forward for FY16 through FY20.

The defeasance account strategy has been useful and successful. This strategy takes the monies that were appropriated and raised from ratepayers, specifically related to debt service, and puts any under spending because of a low-interest rate environment into a defeasance account. The defeasance this year was in the range of \$30 million. The primary benefit was toward FY17, which brought the proposed 6.1% increase closer to 5%. Staff is looking at the “long game,” keeping an eye toward preserving tools like rate stabilization for the future and continuing to use other tools, such as the defeasance account strategy, as well as DSA to “pay it forward” to help “tackle” those future years.

For the Capital Improvement Program, staff has a couple of larger recommendations. When projects get delayed and “slip” in the budgeted timeframe, it can result in under-spending. Even though the Authority implemented the Advisory Board’s recommendation to lower its capital spending cap, staff is beginning to still see significant under-spending. All of the projects that are included in the cap are significant projects that need to be done. Projects are slipping for real reasons so Advisory Board staff considered what could be done to get at this real issue. Staff determined that identifying stand-alone projects that could be brought to a shovel-ready state of design and get to the construction phase in a short time, essentially “project swapping,” would help to move projects along, without delays to future projects. This would continue to utilize Authority staff and resources and while continuing to manage the capital program.

With the adoption of the Operations Committee’s recommendation to double the funding for Phases 9 and 10 of the I/I Program from \$40 million to \$80 million, the Authority will create a “trigger” that will be the mechanism for making the Phase 10 funds available for communities. Since the amount of funds are being doubled, for the loan portion it makes sense to double the amount of time to pay it back, from five years to ten years. Staff also recommends that the 45% grant/55% loan split be changed to 75% grant/25% loan for Phases 9 and 10.

The second and third “Mount Rushmore faces” are Policy and Regulations. The Authority tracks molybdenum concentrations in the biosolids that are produced at the pelletizing plant that is run by the New England Fertilizer Company (NEFCo). The Environmental Protection Agency’s (EPA’s) limit for molybdenum is 75 milligrams per kilogram (mg/kg), while the Massachusetts Department of Environmental Protection’s (DEP’s) limit is 25 mg/kg; therefore, during the warmer months, the Authority is not allowed to sell its pellets in Massachusetts because its numbers are greater than 25 mg/kg. The goal is to allow the pellets to be sold in state all year round. Options include seeking an MWRA-specific variance from DEP, increasing the DEP limits slightly, or finally, banning molybdenum because there are other options for cooling towers that are not molybdenum-based.

Mr. Romero said the Advisory Board is often painted as not being “green,” which is not true. All the Advisory Board has done is to ask questions: 1) Does it make sense? 2) Does it make or save money? It doesn’t make sense to do a “green” installation if the payback takes 40 years.

People seem to believe that the MWRA and the Advisory Board have opposite opinions on co-digestion; however, Advisory Board staff does not believe that is the case. The Advisory Board believes that co-digestion needs to be a revenue generator. It is not part of the Authority’s core mission to take materials outside of the wastewater stream and put it into its digester; however, the benefit could be enticing if what we are being told could be generated is accurate. Being a revenue generator was something the Authority agreed with early on.

Additionally, the Advisory Board requested a “get out of jail free card.” Since the Authority is taking in materials that it would not ordinarily take to help DEP with its initiative to remove organic food waste from the solid waste stream, the Authority should not be held responsible with DEP and EPA if there is a plant “upset” in relation to the co-digestion process. DEP has provided that assurance, while the MWRA is still waiting on EPA. The Authority agreed.

The third item was the “pause button.” In response to a meeting with concerned Winthrop residents and Speaker of the House Robert DeLeo, MWRA Executive Director Fred Laskey placed the co-digestion study on hold. The Authority, not

the Advisory Board, hit the “pause button,” and only afterward did the Advisory Board pose some questions while the pilot was on hold. Staff wants to ask questions because it believes that the pilot program may be just the “tip of a much larger iceberg.” By raising these questions, staff hopes that all of the potential impacts are addressed and recognized.

Traffic concerns in Winthrop led to traffic concerns in Charlestown as well because of a Waste Management facility planned for Charlestown. The Advisory Board also believes that the MWRA should never be involved in any sort of mitigation costs for these communities because co-digestion is outside of the MWRA’s core mission.

MWRA Director of Administration and Finance Rachel Madden noted that when you are talking about revenue generation, the most sizeable contribution to the Authority from co-digestion is the electricity cost savings. When you say revenue generation, is that encompassing significant energy savings? Mr. Romero responded in the affirmative noting that there are two elements to the co-digestion project that would provide a financial benefit to the Authority and the ratepayers, and increased self-generation of electricity at Deer Island, which would be “huge.”

The Authority has already acknowledged that they will probably have to charge a tipping fee to make the economics of this project work. Revenue generation should absolutely be factored into the plus column, as long as the potential negatives are factored into the minus column on the cost-benefit analysis.

In terms of transportation, trucking is a problem because Winthrop is the only real access to Deer Island. Barging is the other option so the question is what are those initial costs and how will they be factored in. Barging will affect the economics as well.

New piping will be required and additional pellets will be created because there will now be additional materials entering the digester. The additional pellets are an incremental cost as well and should also be factored in to the cost-benefit analysis.

Is there an available market for these services? These regulations will be going into effect on October 1, 2014 and co-digestion is not going to be ready here or elsewhere in the state. Hospitals, schools, nursing homes, etc. will have to remove organic food waste from the waste stream on October 1 so they will be paying someone, whether it is Waste Management or BFI, but they will be paying some provider to take this material and ship it to an allowable location. By the time the Authority has co-digestion up and running, will these entities switch from their current provider? They will only change if it is going to save them money.

The Advisory Board’s position on co-digestion is simply to ask questions as of now. When staff has those answers, it can then make an informed recommendation on whether or not this program makes sense, be it the pilot program or full scale co-digestion.

The fourth Mount Rushmore face is legislation. The Advisory Board had a three-pronged approach for its legislative strategy this year. First was a dedicated fund for infrastructure, the second was local infrastructure assistance and the third was Debt Service Assistance. The dedicated fund was specifically to help local and statewide infrastructure that needed to be large enough to impact a funding gap that had been identified by the Infrastructure Committee.

The local infrastructure assistance was specifically to spur economic development. A portion of that fund should be reserved to help local infrastructure where it is needed in order to create economic development opportunities. The Advisory Board’s Economic Development Report showed that there were areas that couldn’t have economic development because of a lack of water and sewer infrastructure. If the infrastructure could be built, then this economic benefit could be realized.

With DSA, staff would like to ensure that the MWRA and its member communities and any entity statewide that has already invested significant capital dollars on water and wastewater infrastructure get some assistance with the resulting debt service.

Senate Bill 2021 includes the expansion of the State Revolving Fund, which is the legislature's chosen mechanism for creating a dedicated fund. For local assistance, there is an Inflow/Infiltration reimbursement portion of the bill and also a 50/50 matching fund to help entities connect into systems like the MWRA to help match the funds that the entity would be putting forward locally on the entrance fees and connection costs.

DSA is not included in Senate Bill 2021; however, the MWRA and the Advisory Board are grateful that DSA was increased in the House Budget this year to \$1.1 million. DSA is still in play and staff is hopeful that the MWRA will be able to use the "pay it forward" strategy next year.

A motion was made **TO APPROVE THE ADVISORY BOARD INTEGRATED COMMENTS AND RECOMMENDATIONS ON THE AUTHORITY'S PROPOSED FY15 CIP AND CEB**. It was seconded and passed by unanimous vote.

D. COMMITTEE REPORTS

Executive Committee – Katherine Haynes Dunphy

❖ ACTION ITEM: NOMINATION AND ELECTION OF A CANDIDATE TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2014 TO JUNE 30, 2017

Mr. Favaloro stated that a quorum of 32 voting members were in attendance. Notices were sent out regarding the process to all Advisory Board members seeking persons who were interested in serving. Mr. Carroll submitted his letter of intent and resume. Mr. Carroll has served on the Board for 29 years.

The Executive Committee, acting as the Nomination Committee, has nominated John Carroll to serve as the Advisory Board's representative on the MWRA Board of Directors for another three-year term.

Mr. Carroll stated that he has been honored to serve on the Board for the past 29 years. Joe Foti has been serving for 13 years and Andrew Pappastergion for 18 years, which makes the Advisory Board's representatives the senior members of the Board. We work together as a team for the most part. I've tried my best and enjoy it and would like to serve another term.

Hearing no nominations from the floor, a motion was made **TO NOMINATE AND ELECT JOHN CARROLL TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2014 TO JUNE 30, 2017**. It was seconded and passed by unanimous vote.

Mr. Carroll thanked members for their support.

❖ ACTION ITEM: TO ALLOW THE TOWN OF HUDSON TO ACTIVATE A THIRD EMERGENCY WATER SUPPLY CONNECTION TO THE MWRA WATERWORKS SYSTEM VIA THE CITY OF MARLBOROUGH

Mr. Favaloro noted that the Town of Hudson came before the Advisory Board in November to seek a second six-month emergency water supply agreement with the MWRA and had mentioned at that time that they would likely need a third emergency water supply agreement. Hudson has officially requested that third agreement. Mr. Favaloro noted that the third agreement allows for a significant premium that benefits the MWRA.

A motion was made **TO ALLOW THE TOWN OF HUDSON TO ACTIVATE A THIRD EMERGENCY WATER SUPPLY CONNECTION TO THE MWRA WATERWORKS SYSTEM VIA THE CITY OF MARLBOROUGH FOR A SIX-MONTH PERIOD, WITH A START DATE OF JULY 4, 2014 TO JANUARY 1, 2015. HUDSON WILL ABIDE BY THE RULES STIPULATED UNDER MWRA EMERGENCY WATER SUPPLY WITHDRAWALS (POLICY #OP.05), INCLUDING PAYMENT OF A 10% PREMIUM CHARGE OF THE MWRA'S PREVAILING RATE PLUS 110% OF TWO-THIRDS OF THE ASSET VALUE CONTRIBUTION PAYMENT (ENTRANCE FEE EQUIVALENT) AMORTIZED WITH INTEREST OVER 15 YEARS.** It was seconded and passed by unanimous vote.

❖ **ACTION ITEM: ADVISORY BOARD DRAFT FY15 OPERATING BUDGET**

Mr. Favaloro noted that he provided the draft FY15 Operating Budget to members at last month's meeting. The operating budget for FY15 grows by 5.6% and requests \$494,046 from the MWRA. The principal line items that increase are Wages and Salaries due to a reconfiguration of the office over the past year, as well as the Rent line item.

For FY14, there was a surplus that was primarily created by the fact that the Advisory Board was down one staff member for close to six months. Positions were reconfigured within the office and a new staff member was hired. With Executive Committee approval, staff proposed to purchase iPads Executive Committee members' use, as well as a postage meter and new laptop computers. Funds will be transferred to the capital improvement fund and the operating reserve to get to a one and one-half month operating reserve. The remainder would be used for FY15 to offset the amount of money needed from the MWRA.

The Advisory Board has a good financial footing and is audited on an annual basis. There has not been a finding in the past 26 years. We have a good team in play and a lot to do over the coming years.

A motion was made **TO APPROVE THE MWRA ADVISORY BOARD FY15 OPERATING BUDGET OF \$498,846, WITH A REQUEST OF THE MASSACHUSETTS WATER RESOURCES AUTHORITY OF \$494,046.** It was seconded and passed by unanimous vote.

Operations Committee – Lou Taverna

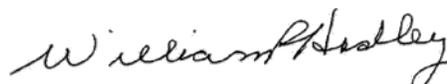
❖ **UPDATE ON ENTRANCE FEES**

Mr. Favaloro noted that this month's ["Green Sheet Video"](#) focuses on the history of entrance fees for communities wishing to enter the MWRA waterworks system. The video covers 120 years of the Metropolitan Waterworks System through multiple agencies.

E. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 12:59 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,



William P. Hadley, Secretary