



MWRA Advisory Board

Advisory Board Meeting

Thursday, March 19, 2015
11:30 AM

Boston Water and Sewer Commission
980 Harrison Avenue
Boston, MA 02119

Attendees (Voting Members)

Michael Rademacher	Arlington	Jim Finegan	Lynnfield	Jeff Zager	Reading
Roy Sorenson	Bedford	Amy McHugh	Marblehead	Brendan O'Regan	Saugus
Michael Bishop	Belmont	Cassandra Koutalidis	Medford	John DeAmicis	Stoneham
Jay Hersey	Brookline	Katherine Dunphy	Milton	Carol Antonelli	Wakefield
Tim MacDonald	Cambridge	Thom Donahue	Nahant	Walter Woods	Wellesley
Andrew DeSantis	Chelsea	Kannan Vembu	Natick	Joe Lobao	Wilmington
J. R. Greene	Gubernatorial Appt	Bernie Cooper	Norwood	Thomas E. Reilly	Winthrop
Bill Hadley	Lexington	Michael Coffey	Quincy		

Other Attendees

Henry Vitale	BWSC	Michael Hornbrook	MWRA	Karen Golmer	NEWIC
Sean Canty	BWSC	Jeff McLaughlin	MWRA	Michael Lenihan	UCANE
Sam Corda	Cambridge	Tom Durkin	MWRA	Andreae Downs	WAC
Rep. Carolyn Dykema	House	Kathy Soni	MWRA	Lexi Dewey	WSCAC
Sen. Jamie Eldridge	Senate	David Whelan	MWRA	Joseph Favaloro	AB Staff
Ned Bartlett	EOEEA	Carolyn Fiore	MWRA	Matthew Romero	AB Staff
John Carroll	MWRA Board	Matt Horan	MWRA	Cornelia Potter	AB Staff
Andy Pappastergion	MWRA Board	Dede Vittori	MWRA	Travis Ahern	AB Staff
Joe Foti	MWRA Board	Leo Norton	MWRA	Mary Ann McClellan	AB Staff
Fred Laskey	MWRA				

Fifty-one people were in attendance, including twenty-three voting members.

Minutes Approved at the May 21, 2015 Meeting

**ADVISORY BOARD PUBLIC HEARING ON
MWRA'S PROPOSED FY16 CURRENT EXPENSE BUDGET¹**

Chairman Katherine Haynes Dunphy called the Public Hearing to order at 11:30 a.m. Secretary William Hadley read the official notice of the public hearing for the record: The MWRA Advisory Board will hold a public hearing on Thursday, March 19, 2015 at the Boston Water and Sewer Commission, 980 Harrison Avenue, Boston, MA at 11:30 a.m. on the components of the Authority's proposed \$707.2 million FY16 Current Expense Budget. The Authority must adopt the proposed budget on or before June 30, 2015. 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@mwraadvisoryboard.com, no later than May 12, 2015, will also be considered.

A "[Green Sheet video](#)" providing a high-level overview of the MWRA's Proposed FY16 Current Expense and Capital Budgets was played at the hearing.

The public hearing was suspended at 11:42 a.m.

¹ Incorporated into the regular Advisory Board meeting, the Advisory Board will hold its statutorily required Public Hearing on the MWRA's Proposed \$707.2 million FY16 CEB.

The public hearing resumed at 12:15 p.m.

PRESENTATION: MWRA'S PROPOSED FY16 CEB AND CIP – Thomas Durkin, Director of Finance and Kathy Soni, Budget Director

MWRA Executive Director Fred Laskey noted that two of our own are being featured in a photography book called *Boston Irish*. John Carroll and John Sullivan are both featured in the book along with former MWRA employee John Fitzgerald as well. It is a nice tribute. (To see John Carroll and John Sullivan's pages from the book, please click on the CEB / CIP presentation below.)

Mr. Laskey stated, on a sad note, our colleague and friend Charlie Button has passed away after a long and heroic fight with cancer. Charlie served as the Chief Engineer at BWSC, engineer at Deer Island through much of the Boston Harbor project, he was a private engineer and then came back to be the Chief Engineer at the Authority overseeing the Combined Sewer Overflows (CSOs). He was Chairman of the Boston Conservation Commission. He loved the City of Boston and loved being a part of the Boston Harbor project.

The Authority celebrated its 30th anniversary recently and has come a long way. One constant throughout has been John Carroll's presence on the MWRA Board of Directors. An article appeared in the Boston Globe about Mr. Carroll a couple of weeks back and staff has had that article placed on a plaque to present to Mr. Carroll today. Mr. Carroll expressed his thanks.

Budget Director Thomas Durkin provided members with a presentation on the [MWRA's Proposed FY16 CEB and CIP](#). Mr. Durkin said this is a year of milestones; a number of things are occurring at the MWRA. The bond resolution changes are becoming effective, along with the release of the reserves. The pension fund has achieved virtual full funding, other post-employment benefits (OPEB) will be addressed and the New England Fertilizer Co.'s (NEFCo) contract has been renewed.

The Bond Resolution, which is essentially the "rule book" by which the Authority issues bonds, was established when the Authority became an entity. These rules were set in place because they were appropriate at that time; but 30 years later, different rules may be more appropriate. These changes were put into place between 2005 and 2007, which allowed for the release of the reserves that are coming in FY16. These reserves served as protection to the bondholders, which came in the form of the Debt Service Reserve, the Community Obligation and Revenue Enhancement (CORE) Fund and the Renewal and Replacement Reserve (RRR). Over time, the Authority has become established and these reserve funds are either not needed or can be reduced.

The release of the reserves is the main topic for the Long-Term Rates Management Committee (LTRMC), which will be meeting to discuss the disposition of these reserves.

Another milestone is the pension fund is anticipated to reach full funding in FY16, which provides the Authority with an opportunity to shift to funding the OPEB liability, which is the health insurance for retirees.

The next milestone is that NEFCo's contract was to expire in December and negotiations have been reached to extend their contract for another five years.

The Finance Division views its mission as what it can do to ensure sustainability and predictability of the rate increases to community assessments.

In the idea of sustainable and predictable, there is a consistency in the moderation and level of the assessments heretofore; staff's challenge moving forward is to achieve even more sustainability and predictability.

Direct and indirect expenses are not volatile, debt service is; that is where the focus in finance has to be. The structure of the debt service is what is driving the structure of the rate increases. Staff has a renewed focus under the "sustainable and predictable chant" as we move forward.

Some of the causes for volatility with debt can be attributed to the MWRA's debt profile. Staff anticipated the repayment schedule to be in alignment with Debt Service Assistance (DSA) from the state. Since DSA is now limited, that leaves the Authority to struggle with the ever-increasing debt service, which needs to be managed.

Outstanding debt is making progress; the Authority is borrowing less. A concerning point is that debt service as a percent of the total budget is growing and will continue to grow for the near term. Recognizing the volatility and magnitude going forward, staff will focus on debt service.

The FY16 Current Expense Budget consists of 31.6% in direct expenses, 6.7% in indirect expenses and the balance is debt service. Staff has ways to address this going forward using tools such as defeasances, which is a fancy way of saying pay off debt today that we would normally do in the future.

The LTRMC will be discussing the use of the Bond Resolution released reserves today. Existing reserves will be used to stabilize rate increases; these are rate stabilization and bond redemption funds. Additionally, the Authority will continue to control capital spending.

Budget Director Kathy Soni said approximately 56% of the direct expenses are made up of personnel-related costs, not only wages and salaries, but also overtime, workers' compensation and fringe benefits. From a \$223 million proposed budget in FY16, the majority is related to personnel costs.

Thirteen percent of the budget is for maintenance, which is important for the MWRA facilities. Utilities and chemicals account for a substantial piece of the Authority's budget as well.

The largest component for FY16 on the indirect costs of \$47 million pertains to the watershed program at 59% of that budget. It includes Department of Conservation and Recreation-related costs, which are the operating costs of the Division of Water Supply Protection and land acquisition costs. It also includes the payment in lieu of taxes-related costs for communities.

The retirement fund is 28% of indirect expenses; insurance accounts for about 4%. The 28% for pension accounts for the annual required contribution (ARC) payment, which for FY16 is about \$8.1 million; however, the Authority is contributing an additional \$5 million optional payment to that.

The Harbor Electric Energy Corporation contract for the underwater cable accounts for \$1.9 million. On debt service expenses, the majority of debt is related to senior and subordinate debt (76%), the State Revolving Fund is about 18% and other items represent about 6%.

Staff continues to budget at 3.25% for the variable interest rate, which is a 20-year average. For FY16, a CORE fund contribution of \$6.7 million was required and \$3.5 million in bond redemption funds were used. There is no Debt Service Assistance (DSA) assumed. If DSA should be provided, it would be used in FY17 in accordance with the Advisory Board's recommendation to "pay it forward."

On the revenue side, the Authority has an opportunity to earn some investment income because it has approximately \$700 million in various investment tools.

Staff is proposing a 4.1% rate increase for FY16.

The Authority expects to receive the Advisory Board's comments during the month of May.

The Capital Improvement Program budget totals \$147.1 million.

On the capital program, construction was very much affected by the winter storms.

Mr. Durkin said the MWRA continues to focus on asset protection and long-term redundancy. The MWRA continues to reduce its debt levels, paying more principal than the projected borrowings. The CIP has been meeting all of the cap requirements.

MWRA Chief Operating Officer Michael Hornbrook stated that the scum skimmer project at Deer Island is about halfway through and is going well. The North Main Pump Station Motors/VFDs are more than 60% completed, valve replacements for the North System will begin this summer, electrical upgrades on the island are ongoing because it is a corrosive environment, Spot Pond Covered Storage had some delays because of snow but is expected to be online in the summer or early fall of this year. MWRA will meet the court deadlines for CSOs in December 2015 and will have five years to assess whether its goals have been met.

Risks and uncertainties include co-digestion, the fish hatchery pipeline/hydro, the Sudbury Aqueduct (tunnel vs. surface pipeline), residuals processing/asset management and new regulatory mandates.

Hearing no further comments from members of the public, a motion was made **TO CLOSE THE PUBLIC HEARING AT 12:54 P.M.** The motion was seconded and passed by unanimous vote.

Advisory Board Meeting

A. APPROVAL OF THE JANUARY 15, 2015 MINUTES OF THE ADVISORY BOARD

Chairman Katherine Haynes Dunphy called the MWRA Advisory Board meeting to order at 11:42 a.m. and introduced Boston Water and Sewer Commission (BWSC) Executive Director Henry Vitale, who welcomed everyone to BWSC. A motion was made **TO APPROVE THE JANUARY 15, 2015 MINUTES OF THE MWRA ADVISORY BOARD.** It was seconded and passed by unanimous vote.

B. PRESENTATIONS: MWRA ADVISORY BOARD LEGISLATORS OF THE YEAR

In presenting a “2014 Legislator of the Year Award,” Chairman Dunphy stated that Senator James Eldridge has been a leading voice in the Senate for water/wastewater infrastructure financing. He was Senate President Therese Murray’s point person to get an Infrastructure Funding Bill enacted in 2014. He served with his co-chair, Representative Dykema, on the Water Infrastructure Finance Commission (WIFC). Senator Eldridge successfully shepherded the landmark S.2021 through the legislative process and enactment. For these reasons, the Advisory Board recognizes Senator Eldridge as its 2014 Legislator of the Year.

Senator Eldridge thanked members and stated that the Water Infrastructure Finance Commission was part of a six-year effort to bring attention to water and wastewater infrastructure. The MWRA is a national model for water infrastructure and was a key guide in assisting the Commission. He expressed his thanks for this honor.

Chairman Dunphy noted that Representative Carolyn Dykema is also a leading voice for water/wastewater infrastructure financing. She co-chaired the Water Infrastructure Finance Commission, which put water and wastewater infrastructure financing back on the radar screen. The Commission identified a \$40 billion shortfall in financing needs. Rep. Dykema took this report and worked tirelessly to enact a landmark Infrastructure Financing Bill, which was passed in 2014. For these reasons, the Advisory Board recognizes Representative Dykema as its 2014 Legislator of the Year.

Rep. Dykema said it has been very satisfying to see the progress that has been made on this legislation. It has been a pleasure to work with the tremendous and professional group of people on the WIFC, particularly Fred Laskey and Joe Favaloro, who were instrumental in a lot of the education it took to get this piece of legislation passed. In 2009, very few people were talking about water as an issue. Representative Ron Mariano was one of a few that had knowledge and attention to this issue, but we really had to educate a lot of other people because you, in this room, do a good job of making it look easy. When people turn on their tap or flush their toilet, everything works properly and no one has any idea what goes on behind the scenes to make that happen. It took a great educational effort to help understand these issues. MWRA is doing things right in staying on top of its financial situation and long-term planning and innovative and green technology. Rep. Dykema stated, “I would love to publicize more about what the MWRA is doing here because it is exciting. Your hard work should be more recognized. Thank you on behalf of my constituents for the great work that you do. This is a true honor.”

Mr. Favaloro noted that there are two additional honorees, House Majority Leader Ron Mariano and the Senate Majority Whip Anthony Petruccelli. Rep. Mariano is sick and Senator Petruccelli is attending a formal session of the Senate and was unable to attend. Both extended their apologies for not being at the meeting.

C. PRESENTATION: GREETINGS FROM THE UNDERSECRETARY OF THE EXECUTIVE OFFICE OF ENERGY AND ENVIRONMENTAL AFFAIRS – Undersecretary Ned Bartlett

Undersecretary of the Executive Office of Energy and Environmental Affairs Ned Bartlett offered regrets and regards from Secretary Beaton who was unable to attend the meeting. Mr. Bartlett noted that the sixty cities and towns in the MWRA district represent one-third of the state’s population. The partnership with the

MWRA and the Advisory Board is important to the Baker Administration. The state's current focus is budget and legislative priorities.

In the last eight years this Secretary changed from being singularly environmental to adding energy, which brings in a host of other issues, including the Clean Energy Center, the Department of Energy Resources and many of the issues that are prioritized there. Energy policies are a priority, with a continued goal of environmental and a strong role in municipal partnerships as well.

Lt. Governor Polito has been prioritizing municipal partnerships, like the Senate speaking tour and Commonwealth Conversations, and she has been out aggressively meeting with people and will continue to do so, on behalf of the Administration.

As to priorities in water, water infrastructure has been largely unattended to, throughout the country, not just in the Commonwealth. MWRA is a shining example of many successes and was born out of a tough piece of litigation that turned into a great harbor cleanup and now a well-run and well-prioritized organization. There have been attempts to replicate this in other parts of the country and the world. Last summer representatives from Singapore came to Boston to seek the keys to the MWRA's success. The Administration values and supports that and looks forward to working with the MWRA and the Advisory Board.

Mr. Favaloro noted one of the many priorities of the Advisory Board moving forward is DEP's molybdenum standard regarding MWRA pellets, which are produced by NEFCo in Quincy. There is an easy, simple "win-win" and staff hopes that the Administration will see that there is a solution that will benefit clean energy in Massachusetts, keeping the pellets for use in Massachusetts and it won't impact business and industry cooling towers. We invite you to work with us to get to a solution. Mr. Bartlett said he shared in Mr. Favaloro's enthusiasm to get to that solution and looks forward to learning more.

MWRA Executive Director Fred Laskey noted that whenever there is a change in the Administration there is always anxiety or concern or interest in how things are going to change. So far, things have been positive. The undersecretary, the new DEP commissioner and the Governor are understanding of these issues. There are fewer and fewer people who understand how the MWRA and the Advisory Board got to where we are today. Fewer people know about the rate revolt issue or that the harbor and the Charles were dirty.

The Advisory Board meeting was suspended at 12:15 p.m. to resume the Public Hearing.

The Advisory Board meeting resumed at 12:54 p.m.

D. COMMITTEE REPORTS

FINANCE COMMITTEE – Bernard Cooper

The finance presentation was made during the public hearing.

EXECUTIVE COMMITTEE – Katherine Haynes Dunphy

❖ **ACTION ITEM: REGULATING MOLYBDENUM ENTERING THE MWRA SEWER SYSTEM**

Mr. Favaloro noted that molybdenum has been a policy issue for the MWRA Advisory Board. The MWRA has been trying to find a better solution related to the amount of molybdenum contained in the MWRA's pellets. Due to a greater molybdenum level in the pellets than the MA Department of Environmental Protection's standard of 25 milligrams per kilogram (mg/kg), these pellets cannot be sold within Massachusetts nearly six months of the year.

Over the past two years, 96% of the pellets had to be sold out of state. From a "green" perspective, trucking 96% of the pellets to other parts of the country is not very "green."

If the Commonwealth were to raise its acceptable level of molybdenum, the in-state purchases of the pellets would grow right away to 25% to 30%. There could be a dramatic beneficial re-use right here in Massachusetts if the Commonwealth would consider raising its standard slightly.

Staff has taken the initiative to write a letter to Fred Laskey, which has been approved by the Executive Committee that begins to outline what staff intends. It is a multi-level approach. The Commonwealth of Massachusetts has one of the most stringent molybdenum standards in the country. In fact, it is three times more stringent than EPA's level of 75 mg/kg.

The State of New York had Cornell University do a study to find out what an acceptable level of molybdenum would be. Based on this study, New York changed its molybdenum standard from 75 mg/kg to 40 mg/kg. If DEP could work with the MWRA and Advisory Board, the problem could go away. This is the simplest approach.

The Authority could ban molybdenum or regulate its use through the TRAC program. There are other phosphorous-based products that the cooling towers could use, which would not be an issue for Deer Island. These products are actually less costly than molybdenum-based products. This will be a top priority for the Advisory Board for this year.

Kannan Vembu noted that he could not understand the rationale behind the 25 mg/kg standard. Mr. Favaloro noted that DEP does not have a scientific answer on how this number was derived.

With a vote from the full Advisory Board, staff would forward the proposed letter to Mr. Laskey. A motion was made: **FOR THE ADVISORY BOARD TO GO OFFICIALLY ON RECORD WITH THE STEPS INDICATED IN A LETTER TO THE MWRA REGARDING MOLYBDENUM STANDARDS.** It was seconded and passed by unanimous vote.

❖ **ACTION ITEM: APPROVAL OF THE MWRA'S 5-YEAR PROGRESS REPORT CITIZENS PANEL**

Every five years, the Authority has to complete a progress report for the Governor and the legislature on what has occurred over the last five years. As part of the statute, the Advisory Board must approve members to serve on a citizens' advisory panel that represents key fields. The panel includes Vivien Li, a harbor activist;

former EPA Regional Administrator Bob Varney; Marcis Kempe, former MWRA/MDC employee; the Mayor of Medford Michael McGlynn; Charlie Lyons, a member of the MWRA Board of Directors in the early years; and former Senator Steve Brewer, who can provide a legislative perspective; he is from the watershed area. Collectively they provide a broad perspective for the thirty years of the MWRA's existence.

A motion was made **TO APPROVE MWRA'S FIVE-YEAR PROGRESS REPORT CITIZENS PANEL**. It was seconded and passed by unanimous vote.

❖ **LEGISLATIVE UPDATE**

There was no shock in the Governor's budget for FY16; no funds were allocated for Debt Service Assistance. Additionally, the line item in the budget that provides \$500,000 for the Clinton Wastewater Treatment Plant was removed. Staff will work to have those funds restored.

The Governor has proposed legislation that would increase the employee's contribution for the GIC health insurance to 25% for all employees. If enacted, it would impact all MWRA employees and Advisory Board employees as well.

Additionally, the Governor initiated discussion regarding an early retirement for the executive branch of state government. Mr. Laskey has made it clear that this will not be in effect for the MWRA employees. The Authority is already under the level of employees that were recommended in its staffing study.

E. 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 P. Hadley, Secretary