



Executive Committee Meeting

Friday, May 12, 2017
8:30 AM

Advisory Board Conference Room
100 1st Avenue, Building 39-4
Boston, MA 02129

Attendees

Lou Taverna	Newton, Chairman	John Carroll	MWRA Board of Directors
Bernie Cooper	Norwood, Vice Chair of Finance	Matt Horan	MWRA
John Sanchez	Burlington, Vice Chair of Operations	Fred Laskey	MWRA
Michael Rademacher	Arlington, Secretary	Andrew Pappastergion	MWRA Board of Directors
Carol Antonelli	Wakefield	Joe Foti	MWRA Board of Directors
John DeAmicis	Stoneham	Joe Favaloro	Advisory Board
Robert King	Somerville	Matt Romero	Advisory Board
Timothy MacDonald	Cambridge	James Guidod	Advisory Board
Brendon O'Regan	Saugus	Lenna Ostrodka	Advisory Board
Nicholas Rystrom	Revere	Cornelia Potter	Advisory Board

DRAFT MINUTES

The meeting was called to order at 8:32 am.

Executive Session

A motion was made to go into Executive Session for a discussion of legal matters. There was a roll call vote:

Carol Antonelli	yes
Bernie Cooper	yes
John DeAmicis	yes
Robert King	yes
Timothy MacDonald	yes
Brendon O'Regan	yes
Michael Rademacher	yes
Nicholas Rystrom	yes
John Sanchez	yes
Lou Taverna	yes

Fred Laskey, MWRA Executive Director, and Matt Horan, MWRA Treasurer, updated the Executive Committee on the status of the HEEC negotiations, including ongoing discussions and possible solutions. No votes were taken.

A motion was made to leave Executive Session. There was a roll call vote:

Carol Antonelli	yes
Bernie Cooper	yes
John DeAmicis	yes
Robert King	yes
Timothy MacDonald	yes
Brendon O'Regan	yes
Michael Rademacher	yes
Nicholas Rystrom	yes
John Sanchez	yes
Lou Taverna	yes

Approval of Executive Committee Minutes for April 14, 2017

A motion was made and seconded to approve the minutes of the Executive Committee (at 21 minutes into the meeting). The motion passed unanimously.

Advisory Board FY18 Operating Budget

Mr. Favaloro opened the report, noting that that the draft budget had been presented at the April meeting and there are no revisions for this month. He stated his plans to submit for next month's meeting the reallocations of any surplus that is anticipated for this fiscal year. Some of the surplus is expected to be assigned to capital expenditures, and a good piece of it will go into the legal fund (in anticipation of the potential inclusion of co-permittees language in a possible draft NPDES permit). The MWRA has a legal fund and he recommended that the Advisory Board "amp up" its legal fund too, because the co-permittees language may end up being a significant discussion sometime in FY18. Mr. Favaloro reiterated that surplus funds that are assigned to the capital and legal funds are authorized by the Executive Committee, and any proposed spending from those funds must also be authorized by the Executive Committee.

A motion was made and seconded to approve the proposed budget of \$543,341 for the Advisory Board FY18 operating expenses; the motion carried.

Advisory Board Integrated *Comments and Recommendations* to the MWRA's Proposed FY18 Capital Improvement Program and Current Expense Budget.

Mr. Favaloro noted that this year's review had to address a lot of "moving parts" during the review timeframe. Mr. Romero explained that these fast-moving developments also translated into different formats for distributing draft language for Advisory Board member reviews, including some hard copy drafts for last minute updates of the *Comments* language.

Regarding the capital improvement program, many of the issues arose and were addressed prior to the start of the budget review period. The *Comments* reflect these issues and the Advisory Board's positions on them. The Metropolitan Tunnel Redundancy was a major decision but in order to weigh in on that topic, there was the special presentation in December, the vote of the full Advisory Board in January in order to have the Advisory Board's position approved before the MWRA Board of Directors took their vote. For the Local Water Loan Program, the Operations Committee met and has voted to authorize the next phase, increasing the amount from the \$210 million originally included in the proposed FY18 CIP to \$292 million (to reflect an adjustment for inflation).

The staff recommendation to the Executive Committee for a revised rate revenue requirement for FY18 is now 3.25%. This recommendation is explained on a draft table that reflects a number of specific recommendations by the Advisory Board, including: an adjustment to Wages and Salaries of \$1 million (the equivalent of a vacancy rate of 10 FTE positions). Other adjustments include recommended reductions to an optional payment to the pension fund, variable rate debt assumptions, enterococcus treatment costs, a small reduction to the proposed budget for the Advisory Board, an addition to the legal services fund (to challenge co-permittees language in the NPDES permit for Deer Island), modifications to short-term investment income, and funds for the HEEC payments fund and the HEEC transfer.

Another group of recommendations reflects emerging changes to direct and indirect costs from the Authority staff as part of the ongoing process to update elements of the proposed budget prior to the vote on the final budget in the spring. These changes include fringe benefits, overtime and maintenance, other materials, and other services. Changes and other updates are reflected under "capital financing" and "revenue & income" on the draft table plus an adjustment to the operating reserve requirement.

Focusing on the emerging developments regarding the HEEC agreement, Mr. Romero reviewed recent meetings and discussions which have guided Advisory Board staff in drafting the Advisory Board recommendations regarding the cable and Boston Harbor dredging discussions. Cost estimates had “ballooned up” for the cable protection project. Now plans are for a new cable, and co-permittee language is no longer expected to be part of the agreement for the new cable alternative. The previous language that had included co-permittees allowed for the inclusion of the MWRA in the court proceedings, i.e. the suit by the Army Corps of Engineers, requiring the Authority’s financial responsibility for protecting and/or removing the existing cable. Furthermore, Mr. Romero pointed out that there is the potential for another dredging project within ten years that would be deeper than the existing cable, requiring its replacement at a greater depth at that time. He also described the process of rethinking other, conservative assumptions elsewhere in the budget that could be reconfigured to provide sources of funds for containing the emerging and revised estimates for the costs of the HEEC-related charges for FY18 as well as the next several years.

Regarding primacy, funding is an ongoing discussion. The Advisory Board has raised the need to discuss sources of funding beyond relying on state funding. It is felt that completely general fund-based support for NPDES delegation is not going to work. At some point, it is likely the budget will get cut, and the cities and towns and the ratepayers are going to have to fund those costs. This is the time to be proactive. Using a pie chart to show options for other sources of funding, it is proposed (for discussion purposes) to have a category for funding from industries (that have direct discharges) and POTWs, an assessment for the MWRA (as a large discharger), and cities and towns that have treatment facilities; credits for MWRA and other entities’ contributions (such as water quality monitoring) which have statewide benefit; fees; rewards for behavior that complies with the program and fees for those that are not complying with their requirements; use of three-year averaging; connection charges for stormwater and septic; funding for in-kind work by EPA and Massachusetts DEP as well as a dedicated contribution; and a category for “other” fees and sources of funds.

Regarding professional services procurements, this topic involves the examination of a qualifications-based selection process. Staff have been discussing possible changes with other sources, including the Authority’s Procurement staff, MassPort and Mass DOT, and reviewing the American Public Works Association *Red Book on Qualifications-Based Selection*, all with the goal of providing some more flexibility and competition for the procurement process for professional services. Draft language for the *Comments and Recommendations* is being developed in time for the upcoming Advisory Board meeting.

Another recommendation relates to using variable colors of LED lighting for the digesters at Deer Island, a Boston Harbor icon.

Regarding debt and investment, the *Comments* address the \$1.2 million associated with reducing the assumed variable rate interest rate from 3.5% to 3.25%. The Authority has proposed the increase to 3.5% for FY18, to reflect recent increases in the federal funds rate. However, given the wide range between the Authority’s actual interest rates versus the budgeted amount, the Advisory Board is recommending that increasing the variable rate assumption is unnecessary. Investment income, while going up, will have to be adjusted to reflect the Advisory Board’s recommendation to lower the interest rate assumptions for variable rate debt.

Debt Service Assistance funds have just, in recent days, been received. The \$391,580 will be “paid forward” as revenue for FY18. This, in turn, could result in a further reduction to rates in the Advisory Board *Comments*, to 3.19%. These developments support the Advisory Board’s plan to reassess the broad guideline for rate review of

"Four No More," to closer to 3.5% or even the 3.19% now being recommended for FY18 than previous discussions had considered. These discussions will be ongoing for next year and future budget review processes.

A motion to approve the draft *Comments and Recommendations* was made and seconded. The motion carried.

Interviews and Nomination of a Candidate to Serve as an Advisory Board Representative to the MWRA Board of Directors

The candidate that has applied to continue to serve on the Board of Directors, John J. Carroll, opened his remarks by noting that he has been on the Board for 32 years. He emphasized that he works hard and is a good Board member, and he stated that he "really enjoys it." Mr. Taverna thanked Mr. Carroll for his years of service. Mr. Carroll observed that the three members of the Board of Directors representing the Advisory Board -- Mr. Pappastergion, Mr. Foti and himself -- are a really good team and work well with the Advisory Board's Executive Director, working together to try to get things done.

Looking back, he praised the enabling legislation that established the Authority and the structure of the eleven-member Board of Directors which requires that a minimum of six votes in the affirmative is needed for a vote of the Board (even if only six or seven members of the Board are in attendance). That requirement has created a situation where members of the Board, with different interests at various times, are forced to really work together. He emphasized that he would give his best to the next term on the Board.

A motion to nominate John J. Carroll to serve as an Advisory Board representative to the MWRA Board of Directors from July 1, 2017, to June 30, 2020, was made and seconded. The motion carried. The full vote of the Advisory Board will take place at its next meeting, May 18, 2017.

Lead Testing in Schools

Mr. Favaloro commented on the ongoing DEP program on lead testing in the schools. He stated that the lead testing program will be discussed further including improvements that could be made to make the program better. This will be a topic on the agenda for the May 18 meeting of the Advisory Board.

Discussion and Annual Review of the Executive Director

This item is expected to be on the agenda for the June meeting of the Executive Committee, or, if need be, at another future meeting.

Approval of Advisory Board Meeting Agenda for May 18, 2017

A motion was made and seconded to approve the Advisory Board meeting agenda for May 18, 2017. The motion carried.

Adjournment

A motion was made **TO ADJOURN THE MEETING AT 10:03 A.M.**

Respectfully submitted,

Michael W. Rademacher, Secretary