

**MWRA ADVISORY BOARD MEETING
MAY 15, 2008
BRADLEY ESTATE
2468B WASHINGTON STREET, CANTON, MA – 11:30 A.M.
MINUTES APPROVED AT THE SEPTEMBER 18, 2008 MEETING**

Fifty-two people were in attendance, including thirty-three voting members: Peter Castanino, BELMONT; John Sullivan, BOSTON; Greg Riley, BRAINTREE; Charlie Barry, BROOKLINE; Ed Sullivan, CANTON; Bert Taverna, CHELSEA; Dave Field, DEDHAM; Jon Norton, EVERETT; Peter Sellers, FRAMINGHAM; Barbara Wyatt, GUBERNATORIAL APPOINTEE; Edmund Demko, HINGHAM; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Doran Crouse, MARLBOROUGH; Dave Proctor, MEDFORD; Ron Seaboyer, MELROSE; Katherine Haynes Dunphy, MILTON; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Peter Smyrnios, PEABODY; Ted McIntire, READING; Don Goodwin, REVERE; Carol Antonelli, SOMERVILLE; Lawrence J. Barrett, STOUGHTON; Walter Woods, WELLESLEY; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Michael Chiasson, WEYMOUTH; Zig Peret, WILBRAHAM; Robert Antico, WILMINGTON; Anthony Blazejowski, WOBURN.

Also present: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Ralph Pecora, EVERETT; Ana Singleton, STOUGHTON; Ed Bretschneider, WAC; Bill Galvin, STATE REPRESENTATIVE; J. Kelly, PATRIOT LEDGER; Fred Laskey, Michael Hornbrook, Joshua Das, Michael Ralph, Michelle Gillen, Kathy Soni, Dave Whelan, MWRA STAFF; Joe Favalaro, Cornelia Potter, Matthew Romero, Christine Hevelone-Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

A. WELCOME

Chairman Katherine Haynes Dunphy called the meeting to order at 11:39 a.m. Secretary Ed Sullivan introduced State Representative Bill Galvin of Canton who welcomed members to Canton. Representative Galvin noted that there is an Amendment on the House floor to increase Debt Service Assistance (DSA) to \$20 million from the \$15 million that had been included in the House version of the budget. The Senate Budget, released today, included \$10 million for DSA. The MWRA Caucus will work to get the best results from the Conference Committee.

B. APPROVAL OF THE MINUTES FROM THE FEBRUARY 21, 2008 ADVISORY BOARD MEETING

A Motion was made **TO APPROVE THE MINUTES FROM THE FEBRUARY 21, 2008 ADVISORY BOARD MEETING.** It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated that the Water Resources Commission met to discuss water conservation standards. DEP has placed emphasis on being cooperative in working with communities and more emphasis on the 2018 date, as opposed to interim steps. If communities have ideas and comments, they can be forwarded to Jay Fink or Joe Favaloro or directly to the Authority via Michael Hornbrook or Pam Heidell. The comments will be directed to the appropriate personnel at the Water Resources Commission.

As Representative Galvin noted, \$15 million was allocated in the Governor's FY09 budget for DSA, the amended number in the House budget went from \$15 million to \$20 million and the Senate included \$10 million for DSA. Debate on the Senate Budget occurs next week. The Authority and the Advisory Board have already distributed a letter, signed by Messrs. Laskey and Favaloro, asking members on the Senate side to sign onto an amendment that would increase the \$10 million to the House number, which is \$20 million.

If the Senate number of \$10 million becomes the number in the final FY09 State Budget, it would represent, absent any of the actions of Advisory Board staff to bring that number down to 4.5%, an increase that would go above 5.9%; depending on other recommendations, the rate increase could broach 7%. There would be significant value if communities would also ask their Senators to sign onto the amendment.

D. PRESENTATION: MWRA DRINKING WATER QUALITY UPDATE, PHARMACEUTICAL TESTING AND CONSUMER CONFIDENCE REPORT PREVIEW – Michael Hornbrook, MWRA Chief Operating Officer

MWRA Chief Operating Officer Michael Hornbrook said in early March the Associated Press (AP) began publishing stories about trace amounts of pharmaceuticals that were found in public water supplies across the country. By trace amounts, the articles were referring to 36 pharmaceuticals that were found in parts per trillion at various water supply systems throughout the country. These pharmaceuticals and types of compounds are not currently regulated by EPA and are not something that water suppliers would typically test for; there is no testing required by EPA or DEP.

Many of the water suppliers across the country have rivers and streams as their drinking water sources, which are also the disposal sites for wastewater treatment facilities. Pharmaceuticals and compounds such as that commonly go through the body into the wastewater stream. In some cases, people flush their excess pharmaceuticals into their toilets to dispose of them. Therefore, it is very common that pharmaceuticals will make it into the wastewater stream and into a local river or local stream that downstream could be a source of water.

The MWRA did not expect to find pharmaceuticals in its drinking water because its water system, created at the turn of the century, has been well protected through watershed protection from its inception, continuing to this day. There are no wastewater treatment discharges in the Quabbin or the Wachusett. Further, since 2005 the MWRA has been using ozonation as its primary disinfection, which has been found in a number of research studies to be a good treatment process for many of these pharmaceuticals.

To provide 100% confidence to its customers, the MWRA recently tested both its raw and finished water; the test results were excellent. In the finished water, no compounds were detected. The Authority tested for 31 pharmaceuticals, hormones and endocrine disrupting compounds, the items that the AP articles referred to. In the finished water, nothing was found; in the raw water, one compound called Tris (2-Butoxyethyl) Phosphate, or TBEP, was found in one-part per trillion.

TBEP is a plasticizer that is used in rubber gaskets and washers; it is often found in industrial plumbing lines. The National Library of Medicine notes that it is a “synthetic rubber intended for contact with food or drink”. The likely source of the TBEP is the MWRA’s sampling lines on the raw water side. It is not a health issue. Currently, the raw water is being sampled directly from the reservoir. Over 150 square miles in the watershed, owned by the Department of Conservation and Recreation through MWRA ratepayer funds, are protected.

John Carroll asked if there are pharmaceuticals in the sewerage effluent. Mr. Hornbrook said minute parts of pharmaceuticals have been found in the wastewater effluent at Deer Island, as would be expected at any wastewater treatment facility in the United States.

Not only has the Authority protected an extraordinary amount of land around the watersheds, but it also uses ozone treatment as its primary disinfection source. Recent national research has indicated that the ozone disinfection process currently used by the MWRA is effective in oxidizing and destroying many of these compounds. Further, there is no wastewater discharge in the Quabbin or Wachusett Reservoirs.

Mr. Hornbrook stated that the MWRA’s water continues to be safe and good tasting and is a product that people should have no hesitation in using.

Testing was also done at the Deer Island Wastewater Treatment Plant (DIWTP), which was screened for 31 compounds; nine pharmaceuticals were detected in the wastewater stream at very low levels (parts per trillion and two parts per billion). The Authority is working with other wastewater agencies to encourage customers to properly dispose of any excess drugs by disposing of them in a landfill in a sealed container rather than flushing them down the toilet. There are no regulatory limits, especially at parts per trillion, for these compounds in the wastewater stream.

The watersheds are so protected that the MWRA is one of only a handful of communities in the United States that was not required to do filtration because the high level of protection at the source was recognized.

Mr. Hornbrook also offered a preview of the ninth annual Consumer Confidence Report (CCR), which will be mailed to every home in the MWRA service area; the theme will be “tap water delivers” to address the issue of tap water versus bottled water and to promote the benefits of tap water.

The CCR encourages the use of MWRA’s high quality tap water, which costs about one penny per gallon. The CCR also points to the “green” aspects of using tap water under the theme that “tap water delivers” including the fact that water, which is heavy, does not have to be transported by truck; it takes a lot of resources to get bottled water onto the shelf and then back to the consumer’s home. Not only does the use of MWRA’s water use less energy, the MWRA produces energy from its water via two hydroelectric plants as water comes into the

Boston area. More advantages in using tap water include the fact that in many cases the MWRA tests its water significantly more than bottled water is tested and there are no pharmaceuticals in the MWRA's drinking water.

The CCR also describes how well the watershed is protected. Annual test results have been below federal and state limits.

Each community is given an opportunity for a community insert in the CCR. All of the inserts have been completed and the CCR has been sent to the printer and should be ready for mailing on June 9.

Advisory Board member Walter Woods asked if there have been complaints about MWRA water. Mr. Hornbrook said the Authority keeps a record of complaints via community and type of complaint, such as odor, taste, turbidity, white water and chlorine levels. Additionally, the MWRA calls communities randomly every day and asks if there have been any complaints and the nature of the complaints. The MWRA keeps its own database of callers as well. The Authority has seen a significant drop in complaints across the board, especially since early 2000 when the Authority went to ozone treatment. The complaints that remain are typically associated with a local incident.

Mr. Hornbrook noted that the MWRA is handing out reusable water bottles to encourage people to drink tap water. The following slogan appears on the bottles: "Quabbin Water...Clean, safe water, From the Quabbin to your tap for less than a penny a gallon."

E. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ ACTION ITEM: FY09 ADVISORY BOARD OPERATING BUDGET

Mr. Favaloro stated, in actual budget dollars, the FY09 MWRA Advisory Board Operating Budget increases by a little over 2% from the FY08 Operating Budget. Due to a loss of revenue interest income, the overall request of the MWRA is slightly higher than a 4% increase.

The largest line item increase is Audit and Accounting in response to changes in auditing procedures. Beyond that, the Wages and Salaries line item represents a step increase for employees. Many of the other line items have decreased based on finding innovative ways to get things done, such as electronic mailings, which has decreased the Postage line item significantly. All Board Summaries, News & Notes and Green Sheets go out electronically. Beginning in the next fiscal year, first notices will go out electronically and second notices to CEOs will go out electronically as well.

A Motion was made **TO APPROVE THE MWRA ADVISORY BOARD FY09 OPERATING BUDGET IN THE AMOUNT OF \$473,727, WITH AN OVERALL REQUEST OF THE MASSACHUSETTS WATER RESOURCES AUTHORITY OF \$452,227.** It was seconded and passed by unanimous vote.

❖ **ACTION ITEM: ADVISORY BOARD COMMENTS & RECOMMENDATIONS ON THE MWRA'S PROPOSED FY09 CURRENT EXPENSE BUDGET**

Mr. Favaloro stated that a lot of effort by MWRA and Advisory Board staffs went into coming up with the 5.9% increase proposed by the MWRA for FY09; however, it is important to see the rate increase in the context of what it could have been. The worst case scenario could have been an 11% increase for FY09, equivalent to \$57 million. With the cost of utilities and variable rate debt, and all of the uncertainties around them, the Authority had to go back and look at additional costs, which they will have to load into the FY09 budget.

Each year the Authority uses a piece of its rate stabilization dollars. Those precious few dollars that are available over the next four fiscal years help to reduce the overall rate revenue requirement for FY09, as it will through FY14. If it weren't for those dollars, the Authority would be heading toward an 11% increase.

Additionally, the Advisory Board has been pushing for responsible and modest refunding, which can take some of the edge off of rate increases. The Authority has a massive amount of debt caused mostly by court-ordered projects and an operating budget that is nearly 60% debt service. Some refunding and a strategically planned payment schedule could provide a \$3 million benefit this year, which, if it were not incorporated as part of the MWRA's budget, would get the Authority to the 11% rate increase.

The Advisory Board's recommendations would bring the overall increase for FY09 to 4.45% or a \$23 million increase from the FY08 budget. Put in context, the \$23 million increase could have been a \$57 million increase. The reduction efforts represent the ongoing work of the Advisory Board and MWRA staffs to get a rate increase at the end of any fiscal year that is sustainable and predictable.

Cornelia Potter said normally most of the Advisory Board's dollar value recommendations have been in the area of Direct Expenses; this year staff has relatively few recommendations for Directs, just under \$800,000. Some specific areas have been addressed; however, the Authority has already noted that as part of the spring revisit process, it anticipates having to make some increases to the proposed budget.

One of the most significant areas of the Advisory Board's comments this year is the GASB 45 liability requirement. The Authority is proposing a \$7.6 million deposit into an investment vehicle of some kind as part of meeting its obligation to raise funds for future requirements for retiree health insurance. Advisory Board staff believes these numbers are too high; they are based on an actuarial study. Because the Authority has the ability to raise rates when it needs to, and resets its rates every year unlike other agencies that rely on tax revenue, staff believes the Authority can meet its obligation in a different fashion. Staff has taken 50% out of the recommended number for next year.

Matthew Romero said it is important to point out that the Authority set aside funds for its GASB obligation in FY08. At the last Board of Directors meeting, the Board voted not to put these funds into an irrevocable trust because it wants the flexibility to utilize these funds moving forward. The funds the Authority set aside for its first year have been put into a reserve. The State Comptroller's Office has told the Advisory Board that they essentially raided a fund in order to put a portion (\$400+ million) toward its FY08 obligation; at this time, the state is not funding anything in FY09. The legislature does not anticipate putting anything

into FY09 for GASB; further, they do not plan to put any funds toward this obligation until the pension liability is straightened out.

Mr. Favalaro said GASB 45 has the potential to bankrupt the entire country in order to meet an accountant's recommendation to put it on the books as a liability. The Advisory Board's recommendations have been reasonable and responsive. It shows good faith because the MWRA will begin to fund some level of obligation. The Advisory Board's major contention was to never put these funds into an irrevocable trust.

Mr. Romero said reductions to the Water Supply Protection Trust (WSPT) represent a \$1.6 million reduction, which also ties back to GASB. The State Comptroller's office provides a fringe benefit rate that is applied to the Wages & Salaries line item. In the state's preliminary budget, the fringe rate was about 38%; however, an updated budget reflected the fringe rate at 24.5%. The percentage reduction came as a result of the state's decision not to fund its GASB liability. Advisory Board staff has asked the WSPT to review its revenues; staff took a three-year average, including FY08 projections, and believes the revenue number could be increased. Further, staff would like the WSPT to look at their Direct Expenses because their preliminary budget requested a 7.1% increase. The Authority and the Advisory Board have been trying to keep their direct expense increases around the 4% mark. Now that the Department of Conservation and Recreation is at a steady state, why is a 7.1% increase being requested for Direct Expenses?

Ms. Potter said the Authority anticipates a refunding transaction in the coming weeks, which is expected to yield a \$3 million benefit for the FY09 budget; the Advisory Board has captured that number in a recommendation that is not yet reflected in the proposed budget.

The Authority planned for new bond issues for this spring and next spring; however, these plans are being revisited and staff believes the Authority needs less funding for new senior debt. As a result, the Advisory Board has recommended a reduction of \$1.8 million.

The variable rate debt segment of capital financing continues to attract staff's attention. Even when the refunding transaction takes place and interest rates paid on variable rate debt should rebalance at a lower level, staff feels the Authority's proposed budget is set using an interest rate that is considerably higher than it is expected to be paying in the future; a \$2 million reduction is recommended in that category.

The Local Water Pipeline Assistance Program is funded with commercial paper; the Authority has assumed a relatively high interest rate as compared to what the Advisory Board expects the Authority will really be facing; staff has recommended a \$150,000 reduction in this category.

In total, the Advisory Board's recommendations are just under \$7 million for capital financing reductions. Staff has also made a recommendation to reduce the Operating Reserve via a combination of revisiting what the direct expenses are likely to be and detaching the GASB 45 contribution from the Operating Reserve deposit requirement. Staff believes that GASB itself is a reserve and should not be subject to one-sixth expenses that would be required if it had to be part of the Operating Reserve count. With the GASB reductions and revisions to direct expenses, the Advisory Board's recommendations total just under \$1 million.

Staff has also asked the Authority to revisit interest income. Despite the fact that short-term rates are falling, the combination of fund balances and short and long-term interest rate assumptions afford the Authority the opportunity to increase interest income and reduce the rate revenue requirement by \$1.3 million. Further, staff recommends, as in previous years, that the Advisory Board's reductions be used to back out of the use of the full \$5.2 million in rate stabilization draw downs for FY09 to reserve those funds for modifying the impacts of rate increases in future years.

Mr. Romero stated the Authority provided a budget with a 5.9% rate increase, but that is not factoring in the preliminary numbers, which would actually result in an 11.1% increase. Advisory Board staff has added \$2.6 million of spring revisit items such as increased costs for fuel, interest and more direct expense items. If DSA and the use of rate stabilization funds were not already allocated within the budget, ratepayers would be looking at an 11.1% rate increase. The Authority's proposed rate revenue requirement is about \$548 million at 5.9%; with the Advisory Board's *Comments and Recommendations*, staff was striving to bring the 11.1% increase down to 4.5%, which is consistent with the increase last year. The Advisory Board's total reductions were actually about \$15.5 million.

Ms. Potter said the Authority, however, is facing a number of uncertainties and risks as it rebuilds the final budget for the vote in June, including where variable rate debt interest rates will settle once the refunding transaction at the end of the month takes place. The same applies to investment income interest rates. Also potentially facing the Authority is field testing involving the electric cable that brings power to Deer Island. If this testing moves forward, the Authority will need to turn off the cable and run Deer Island's electricity needs via combustion turbine generators, which will require additional diesel fuel that is not included in the proposed budget. Additionally, the timing of the NPDES permits for both Clinton and Deer Island will potentially impact certain treatment requirements at both plants.

Utility and chemical prices are quite volatile and continue to rise; the Authority has made important assumptions about them for the proposed budget but is updating these assumptions for the final budget in the coming weeks. Weather is always an issue; even in dry weather the Authority had increased chemical spending for odor control. In wet weather the Authority has additional overtime, as well as other chemical and electricity demands on the treatment facility. All of those factors will come into play as the Authority finalizes its budget in the next few weeks and presents it to the Board at their first meeting in June.

Chairman Dunphy thanked Advisory Board staff for their efforts.

A Motion was made **TO APPROVE THE ADVISORY BOARD COMMENTS AND RECOMMENDATIONS ON THE MWRA'S PROPOSED FY09 CURRENT EXPENSE BUDGET**. It was seconded and passed by unanimous vote.

Executive Committee – Katherine Haynes Dunphy

❖ ACTION ITEM: NOMINATION/ELECTION OF AN ADVISORY BOARD REPRESENTATIVE TO THE MWRA BOARD OF DIRECTORS

Chairman Dunphy asked if there were any other nominations from the floor; with no nominations from the floor, the Chairman declared nominations closed. For the record, a quorum of 33 voting members was in attendance. Chairman Dunphy stated, at its last meeting, the Executive Committee, acting as

the Nominating Committee, voted to endorse John Carroll to serve on the MWRA Board of Directors for another three-year term.

Mr. Carroll stated that he had a tough time deciding whether to run for another term on the Board of Directors because he had passed the magic “four score” years. Further, Mr. Carroll stated, “I work well with Andrew Pappastergion and Joe Foti; I think we are the best team the Advisory Board has had in the 23 years I have been on the board. I think I have been an effective board member down through the years and I will try to do the best I can this time too.”

Joe Foti gave a comedic photo presentation in deference to Mr. Carroll’s age and years of service to the Board. Further, Ed Sullivan presented Mr. Carroll with a Northeastern Baseball Tee Shirt.

A Motion was made **TO NOMINATE JOHN CARROLL TO SERVE AS AN ADVISORY BOARD REPRESENTATIVE ON THE MWRA BOARD OF DIRECTORS FROM JULY 1, 2008 TO JUNE 30, 2011.** It was seconded and passed by unanimous vote.

Mr. Carroll expressed his thanks.

Operations Committee – Jay Fink

❖ **UPDATE**

Mr. Favaloro stated that an Operations Committee meeting has been scheduled for June 3 at Newton City Hall to have a more in depth discussion on the possibility of the Advisory Board and the MWRA joining the Massachusetts Coalition for Water Resources Stewardship. A presentation on this organization had been made before the Advisory Board in April by Worcester DPW Commissioner Robert Moylan, a member of the Coalition of cities and towns and organizations that have a working relationship with the Environmental Protection Agency.

EPA staff have indicated that they plan to get a new National Pollutant Discharge Elimination System (NPDES) permit out for discussion and then in place by October 1. Since the Advisory Board does not meet during the summer when the draft NPDES permit may be circulating, discussion will be held at the June 3 Operations Committee meeting on what level of action can be taken and will be brought before the Executive Committee in June as well. There has been a strong indication that the co-permittee issue is not going away.

Walter Woods put together some analyses as relates to three-year averaging on the wastewater side that will be a topic of discussion for a fall Operations Committee meeting.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 12:57 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary