

MWRA ADVISORY BOARD MEETING / PUBLIC HEARING
MARCH 17, 2011
CARY HALL
1605 MASSACHUSETTS AVENUE, LEXINGTON, MA – 11:30 A.M.
MINUTES APPROVED AT THE MAY 19, 2011 MEETING

Forty-one people were in attendance, including twenty-five voting members: Mike Rademacher, ARLINGTON; Richard Warrington, BEDFORD; Peter Castanino, BELMONT; John Sanchez, BURLINGTON; J. R. Greene, GUBERNATORIAL APPOINTEE; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Charles McCollum, MARBLEHEAD; Ron LaFreniere, MARLBOROUGH; Cassandra Koutalidis, MEDFORD; Katherine Haynes Dunphy, MILTON; Wiff Peterson, NATICK; John Cosgrove, NEEDHAM; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Peter Smyrnios, PEABODY; Jeff Zager, READING; John DeAmicis, STONEHAM; Carol Antonelli, WAKEFIELD; Patrick Fasanello, WALPOLE; Walter Woods, WELLESLEY; Earl Forman, WESTON; Zig Peret, WILBRAHAM; Michael Woods, WILMINGTON; Anthony Blazejowski, WOBURN.

Also present: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Michael Bishop, BELMONT; Ryan Ferrara, NEWTON; Robert O'Brien, WALPOLE; Ed Bretschneider, WAC; Fred Laskey, Michael Hornbrook, Kathy Soni and Carl Leone, MWRA STAFF; Joe Favaloro, Matthew Romero, Maggie Atanasov and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF; Cornelia Potter, MWRA ADVISORY BOARD CONSULTANT.

ADVISORY BOARD PUBLIC HEARING ON MWRA'S PROPOSED FY12 CURRENT EXPENSE BUDGET

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Chairman Katherine Haynes Dunphy called the Public Hearing to order at 11:37 a.m.

For the record, Secretary Lou Taverna read the official notice of the public hearing: The MWRA Advisory Board will hold a public hearing on Thursday, March 17, 2011 at Cary Hall, 1605 Massachusetts Avenue, Lexington, MA at 11:30 a.m. on the components of the Authority's proposed \$621.7 million FY12 Current Expense Budget. The Authority must adopt the proposed budget on or before June 30, 2011. 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, no later than May 5, 2011, will also be considered.

A Motion was made **TO RECESS THE PUBLIC HEARING.** It was seconded and passed by unanimous vote.

The public hearing resumed at 11:53 a.m. with a presentation by MWRA Budget Director Kathy Soni. Ms. Soni stated that the Proposed FY2012 Current Expense Budget was presented to the MWRA Board of Directors in February and was approved for transmittal to the Advisory Board for comments and recommendations.

Last year, because of demanding economic times, MWRA staff looked at a larger horizon than it normally does. Instead of a one-year horizon, staff looked at a three-year horizon much more carefully for the planning estimates. Staff made a concerted effort for fiscal years 2011, 2012 and 2013 and came up with a 1.49% increase for FY11, which was the lowest rate increase in 15 years, and included a 3.9% increase for FY12 and FY13 in the planning estimates. In the proposed budget, the Authority kept to its promise of a 3.9% rate increase for FY12.

To achieve the 1.49% rate increase and the 3.9% increases for FY12 and FY13, the Authority level-funded its Direct Expenses for the fourth year in a row, which is difficult because there are items that are not in the Authority's control; additionally, the Authority is not making additional Pension contributions other than the actuarial requirement that has been budgeted for. For FY12, the Authority included a nominal amount for the Other Post-Employment Benefits (OPEB) contribution of \$1.9 million, which staff believes is a "drop in the bucket" compared to the Authority's liability in that line item. Further, the Authority included plans for a defeasance transaction targeting FY14, with nominal savings in FY12 and FY13, to shave off some of the debt to help to smooth the rate increases. Reserves were also utilized as a way to have predictable and sustainable rate increases and avoid significant spikes.

In the past couple of years the Authority obtained its goal for staffing levels but will take every opportunity to shave off some personnel; this past year there were five less positions than in the previous year. Current staffing is 1,210; however, the Authority is funding 1,205 positions for FY12.

In the FY12 Proposed Budget, Investment Income has been lowered and staff plans to use the same level of rate stabilization funds and reserves as planned in the planning estimates.

There will be a significant change to the planned release of Reserves due to changes in the bond covenants, which staff had thought would be available for FY14; these reserves will be released more likely in the FY15 to FY16 timeframe and the use of these reserves must line up with certain bond series and can only be used in certain years as a result. The release of those reserves is not reflected in the Authority's assumptions.

The budget for FY12 is \$621 million; of that, 40% is for Direct and Indirect Expenses and 60% is Debt Service related. The Debt Service portion will continue to grow moving forward.

Ms. Soni noted that under the Energy line item, there is a reduction of \$1.2 million due to favorable pricing contracts on some accounts and higher self-generation.

On the capital side, because of new regulatory requirements for enterococcus compliance, MWRA has budgeted for increased (\$220,000) chemical costs to meet certain criteria; however, the fluoride reduction helps to partially offset that increase.

On Indirect Expenses, the MWRA has an agreement with the Department of Conservation and Recreation on the Watershed Payments in Lieu of Taxes (PILOT) Program for land taken in prior years, which is totally out of the MWRA's control. Of the \$600,000 increase in the watershed expenses, \$400,000 relates to PILOT payments.

The planning estimates project a 3.9% rate increase for FY12 and FY13 but the following four years are projected to have rate increases of 7.2%. Getting to predictable and sustainable increases has become increasingly difficult because the budget is driven by the debt.

Currently there is an average of a \$39 million increase on the MWRA's rate revenue requirement, of which \$29 million is driven by debt.

Debt Service Assistance will not be coming back in the near future. In past years, the MWRA had received in excess of \$52 million.

Mandated projects are nearing completion and MWRA will be switching to an Asset Protection mode.

The MWRA acknowledges the demanding economic times and further recognizes that there are limited tools available to address its growing obligations without impacting its core mission. Possible options for addressing the problem include a reduction in Capital spending; reducing the headcount; deferring principal payments on new issuances beyond 2015; ignoring OPEB obligations; cutting maintenance; maximizing non-rate revenue and System Expansion initiatives.

The Authority has committed to working with the Advisory Board to develop both short and long-term options that ensure measured and responsible levels of rate increases.

*Hearing no comments from members of the public, Chairman Dunphy **CLOSED THE PUBLIC HEARING AT 12:18 P.M.** The Motion was seconded and passed by unanimous vote.*

Advisory Board Meeting

A. APPROVAL OF THE JANUARY 20, 2011 MINUTES OF THE ADVISORY BOARD MEETING

Chairman Katherine Dunphy called the meeting to order at 12:18 p.m. A Motion was made **TO APPROVE THE MINUTES FROM THE JANUARY 20, 2011 ADVISORY BOARD MEETING.** 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 will be holding its Public Hearing on the FY12 Proposed Budget at Boston City Hall on April 5. He also noted that the Environmental Protection Agency (EPA) will be holding a "Listening Session" next Monday and he has already informed EPA that he plans to speak.

The *2010 Annual Water & Sewer Retail Rate Survey* was recently released; press coverage acknowledged the point that the lowest wholesale increase in 15 years resulted in the lowest retail rate in a decade. Press coverage also noted that the reduced water usage will mean increased costs. Staff will continue to have discussions on System Expansion with the MWRA.

C. ONGOING MWRA CONSTRUCTION PROJECTS – Michael Hornbrook, Chief Operating Officer

MWRA Chief Operating Officer Michael Hornbrook gave an update on projects that will have an impact on local communities, either through temporary construction impacts or on projects that will be seen in the media over the next few months so that the communities will be able to respond about what is happening with the MWRA over the next six months.

The North Dorchester Bay CSO Project, by federal court order, must be complete by the end of May 2011; the project is currently 88% complete and is on schedule. The CSO Pumping Station at the Conley Terminal will provide CSO control to the urban beaches of South Boston and also some storm water control.

The North Dorchester Bay CSO Ventilation Building is located at the upper end of the CSO Tunnel and is underground. Air will be pulled from the tunnels and sent through two carbon-absorption units and will then be discharged. The project is scheduled to be complete by the end of May to meet the court schedule. The North Dorchester Bay CSO Projects will all need to come online at the same time because they are one system and it is expected that there will be a lot of press coverage when the system comes online.

For those that live on the North Shore, the Lynnfield/Saugus Pipeline Project (Route 1) has been awarded and the contractor will begin the project in the next couple of weeks. The Authority has teamed with the Town of Saugus to replace a portion of their line at their cost as one construction contract with an Authority line that runs up through the Lynnfield/Saugus line on the south side. Between one and two traffic lanes of Route 1 South will be closed at night during construction. The contract is scheduled for completion in January 2013.

The Spot Pond Storage Facility will provide 20 million gallons of buried storage and the contract will be awarded this summer. A pump station contract will also be awarded this fall. The whole project will be complete in 2014.

MWRA is required to provide a second primary method of treatment of the drinking water supply; that second method will be Ultra Violet (UV) Treatment. It will provide a primary level of treatment without any chemical addition on top of the ozone treatment. This is a requirement of unfiltered systems. The UV treatment project is expected to be complete by 2014. There are limitations on when these units can be installed because the plant must be brought down, one-half at a time, and it cannot be done during high-demand periods. The CVA communities need UV treatment as well and a Notice to Proceed was issued on December 11.

On the south side, the Southern Spine Distribution Mains project is going to have community and traffic impacts. A 48-inch water line is being installed to replace two 24-inch lines. The contractor has made good progress through Milton and is now coming into Dorchester Lower Mills. It will have significant impacts to traffic in Milton and Dorchester.

Additionally, MWRA has partnered with the Town of Milton, which had some water lines that needed to be replaced. MWRA has incorporated portions of Milton's work into its contract and Milton will pay for its portion of the work. The contractor has had four crews working on this job simultaneously, completing in one construction season what staff thought would take two and a half construction seasons.

In Dorchester Lower Mills, MWRA will be closing off major sections of Washington Street for the summer and doing work on Adams, River and Washington Streets during this project. These are very congested and busy streets. The pipe on Washington Street is deep and MWRA is essentially excavating from curb to curb. The other streets will have cleaning and lining of their pipes, so there will be no traffic at night during that process. There will be traffic detours.

The Hultman Aqueduct Rehabilitation Project has been a critical project for the MWRA. With the leak last May, this project allowed the MWRA to get water into the city. Because of an accelerated schedule for this project, the contractor was able to complete two of the three milestones three and one-half months earlier than planned. At this point in time, part of the Hultman is out of service for the remaining work that needs to be done. From October 11 to April 13, the lower Hultman will have to be taken completely out of service while the contractor replaces 60-year-old valves and makes one more connection between the MetroWest and the Hultman and during that time MWRA's ability to feed Boston will be limited to the MetroWest Tunnel.

MWRA has to make a new connection at Shaft 5 where the leak occurred; a new chamber must be built and will allow the Authority to control the flow to Boston. It will also allow the Authority to shut down Shaft 5 in the future so that some old 60-year-old valves that are inoperable can be replaced.

At Deer Island, there will be pipe replacement at the digester section due to corrosion; there will be a Notice to Proceed in June 2011.

The North Main Pump Station, the largest pump station in New England, needs replacement of its variable frequency drives, which are technically obsolete.

A 360-foot tall wind turbine will be constructed across from the Mystic Power Station in Charlestown. It will produce 1.5 megawatts of electricity and the project was fully funded by the American Recovery and Reinvestment Act.

D. COMMITTEE REPORTS

Operations Committee – Jay Fink

❖ PRELIMINARY RECOMMENDATIONS ON LOCAL WATER PIPELINE IMPROVEMENT LOAN PROGRAM AND I/I GRANT/LOAN PROGRAM

Jay Fink, Vice-Chair of Operations, stated that prior to the Advisory Board meeting the Operations Committee met and talked about the Local Water Pipeline Improvement Loan Program and the I/I Grant/Loan Program.

There are a handful of communities that have not utilized their I/I Grant/Loan funding. There will be future discussions in the fall in regard to the water program and its future regarding monies that have not been spent. There is money out there to be used and communities should be taking advantage of it.

❖ NPDES PERMIT STATUS

Mr. Favaloro said that the Clinton NPDES Permit has been placed on hold and has been sent back to EPA's legal department on the issue of co-permittees. It seems unlikely that the Deer Island NPDES permit will be released any time soon.

Executive Committee – Katherine Haynes Dunphy

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

Election for an Advisory Board representative to the MWRA Board of Directors will be held in May and it is the one election of the Advisory Board that requires a quorum of 32 voting members. The location for the April and May meetings will likely be swapped because the Wellesley Free Library is not available for the April meeting. The April meeting will be held in a new location and the Advisory Board meeting in May will be held in Chelsea.

❖ **LEGISLATIVE UPDATE**

The Governor's budget has been released and the House of Representatives' Budget will be coming out in the first part of April. MWRA and Advisory Board staff have met with all newly elected legislators, as well as House and Senate Ways & Means staff and the House Chairman. Next week Advisory Board and MWRA staff will meet with Senator Steve Brewer, the new Chairman of Senate Ways & Means. The message staff will be sending is that we understand the difficult fiscal constraints; however, staff's goal is to keep the DSA line item alive.

Additionally, staff has discussed the Bottle Bill, along with new areas for revenue, with the Legislators.

Finance Committee – Bernard Cooper

❖ **STATUS: ADVISORY BOARD REVIEW OF MWRA CIP/CEB**

Matthew Romero said as staff indicated last month, discussion items for the CEB have been prepared and staff is in the middle of its budget review this month. For next month, staff hopes to have more concrete discussion on both the CIP and CEB side for our members.

Staff would like to note that the MWRA is in an interesting phase now where it is rounding off a cap period and will begin its next cap period. Annual spending has continued to decline and, after this cap period, is expected to drop further, meaning as we look forward at the next five-year period staff can foresee an ability for the MWRA to prioritize projects that the Authority needs for asset protection, rather than for mandated projects. Staff's aim is to take a look at what level the MWRA should be spending because it can control its debt service far out by controlling its capital spending now.

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,

Lou Taverna, Secretary