



Joint WSCAC/WAC Meeting

Tuesday, April 8th, 2014

Location: The Waterworks Museum

WSCAC Members in Bold in Attendance:

Whitney Beals, WSCAC Chair, NE Forestry

Andrea Donlon, CRWC

Gerald Eves, Trout Unlimited

Michael Baram, BU & CFL

Martha Morgan, Nashua River Watershed

Mason Phelps, Millers River Watershed

Bill Fadden, OARS and SuAsCo Wild & Scenic Rivers

Alice Clemente, Blackstone River Watershed

Elie Saroufim, Boston Water & Sewer

Paul Lauenstein, NepRWA

Nancy Bryant, SuAsCo

Dona Motts, MA League of Women Voters

Martin Pillsbury, MAPC

WAC Members in Attendance:

Craig Allen

Stephen Greene

Vincent Spada (Woodward & Curran)

Wayne Chouinard, Town of Arlington

Elie Saroufim, BWSC

Mary Adelstein

Non –Members in Attendance:

Lexi Dewey, WSCAC staff

Kathy Soni, MWRA

David Whelan, MWRA

Wendy Leo, MWRA

Fabiola DeCarvalho, Town of Framingham

Andreae Downs, WAC staff

Mike Connolly, BWSC

WAC Business

Stephen Greene opened the meeting. The minutes for the last WAC meeting were approved. Andreae noted that information on upcoming meetings related to water and wastewater was available in the back of the room.

MWRA FY 2015 Proposed Capital Improvement (CIP) & Current Expense Budget (CEB) Overview by Kathy Soni

The Capital Program is presented to the MWRA Advisory Board in December and the Current Expense Budget is presented in February. The Advisory Board prepares draft comments and recommendations and submits final comments on the CIP and CEB in May.

Kathy said that the MWRA has reached a steady state – they do not expect any new large capital projects moving forward. The FY 15 proposed budget:

- Presents the 2nd year of the five-year Cap which meets all Cap requirements
- Continues to project the lowest five-year spending to date
- Recommends a 3.6% combined rate increase
- Reduces FY17 Assessments
- Continues to reduce outstanding debt levels

She stated, “The budget is boring and that is good news”.

There is a shift from mandated projects to preserving the Authority's operating assets and establishing redundancy to ensure continuous operations. The majority of spending will fund:

- Asset Protection
- Water Redundancy
- Pipeline Replacement and Rehabilitation
- Energy Initiatives

The challenge is handling the peaks that occur in the next few years. One of the tools used is defeasance. The defeasance account is projected to be \$16.5 million at year-end.

The proposed CEB for FY15 is \$683.3 million. The proposed FY15 CIP spending is \$124.6 million. It can be a challenge to prioritize projects.

Q: Michael asked about the stormwater by-laws being enacted across the state and asked if that was reflected. He noted that Arlington and Cambridge are building an overflow pond. Who pays for these projects?

A: Kathy said the towns pay for the projects but a portion is reimbursed. Kathy wasn't sure of the reimbursement percentage.

MWRA's original I/I program included 7 phases at \$40 million per phase and was funded with a split between grants and loans. Two additional phases, 8 & 9 are being considered but the proposed budget doesn't include those two phases yet.

For FY15, water and wastewater spending is close with water projected at 34% of CIP expenditures and wastewater at 43%. Deer Island will get the biggest percentage at 32%.

Q: Bill asked about the Weston Aqueduct mains project.

A: That project is part of the whole redundancy effort.

Kathy presented slides on the various ongoing capital improvement projects including the Spot Pond Storage Facility, UV at Carroll Water Treatment Plant and Quabbin, and the Weston Aqueduct Supply Mains. Long-term redundancy for FY15 is planned for \$14.8 million.

Q: There was a question on the 30-year bonds versus the useful life of the equipment. Are the bonds going out further than life of the equipment?

A: There can be a disconnect between the two in some situations. Some equipment doesn't last as long as the bonds issued to purchase it. Staff monitors this closely.

Q: What is the Alewife Brook pump station project?

A: They are replacing motors. They are pumping storm water and sewerage.

Slides of upcoming projects were discussed. Projects with significant future CIP impacts include residual processing/assets management, the Sudbury Aqueduct tunnel vs. surface pipeline, the rehabilitation of the Chelsea Creek Headworks, and potential new federal regulatory mandates.

Q: Bill asked for a description of the Sudbury project.

A: Steve will address this at the next WSCAC meeting.

Q: What would be an example of a new regulatory mandate?

A: The new MS4 permit for stormwater.

FY13 ended with \$28 million of surplus. Through February current expenditures are under budget by \$.8 million. The defeasance account is projected to grow to \$16.5 million by the end of the year. Both direct and indirect expenses are projected to be under budget at year-end.

The MWRA strives to provide predictable and reasonable rates increases to their member communities. Further the FY15 budget is a 3.6% combined rate increase consistent with FY14 planning estimates.

While MWRA's pension is projected to be fully funded by 2017, Other Post Employment Benefits (OPEB) remains a looming liability.

The Authority does a good job of controlling direct and indirect expenses. But debt service remains the largest driver of rate increases with FY17 posing a major challenge. 61% of the MWRA's FY15 Current Expense Budget (CEB) is related to its debt obligations.

The Authority continues to focus on succession planning. Four senior managers have retired since January and management is actively promoting from within and addressing vacancies at lower levels.

Kathy discussed the challenges that the MWRA faces including:

- Short term interest rates
- Regulatory requirements
- Pension and OPEB obligations
- Uncertain health insurance premiums
- Limited system expansion opportunities
- Prioritization of CIP projects
- Inflationary pressures
- Availability of debt service assistance

Q: Andreae asked about the surplus and defeasance numbers.

A: The projected surplus for this year is \$22-28 million with \$3 million a residual from last year. The defeasance is expected to be \$16.5 million. Another \$ 3.7 million is under spent in other areas.

Mary commented she was glad the MWRA was doing so much defeasance rather than rate relief because defeasance of the debt is more important.

A comment was made that the public often focuses on rates and increases instead of the value of water and wastewater services.

Kathy concluded her presentation. For more in-depth information and projections, please access the presentation on our website.

<http://www.mwra.state.ma.us/monthly/wscac/presentations.htm>

The meeting was adjourned.