



**WAC/WSCAC Meeting**

Location: Waterworks Museum  
Boston, MA  
April 23, 2019 – 10:30 A.M.

**WSCAC Members in Bold in Attendance:**

**Michael Baram, WSCAC Chair, BU**

Whitney Beals, NE Forestry

**William Copithorne, Town of Arlington**

Andrea Donlon, CT River Conservancy

**Gerald Eves, Trout Unlimited**

**Bill Fadden, OARS**

**Bill Kiley, BWSC**

**Paul Lauenstein, NepRWA**

Jean McCluskey, ACEC/MA

Martha Morgan, Nashua River Watershed

Martin Pillsbury, MAPC

Janet Rothrock, League of Women Voters

Kurt Trampusch, Wayland Wells

**Roger Wrubel, Mass Audubon**

**WAC Members in Attendance:**

Mary Adelstein

Philip Ashcroft

George Atallah

Wayne Chinouard

Stephen Greene

James Guiod, MWRA AB

Taber Keally

Karen Lachmayr (phone)

Kannan Vembu

**Non-Members in Attendance:**

Lexi Dewey, WSCAC

Andreae Downs, WAC

Michael Cole, Budget Manager, MWRA

Jim Halloran, Budget Director, MWRA

Matt Horan, Treasurer, MWRA

Sean Navin, MWRA

Bruce Berman, Save the Harbor/Save the Bay,  
PIAC

**WSCAC Business**

WSCAC March meeting summary was approved.

**WAC Business**

Andreae referenced the Outfall Monitoring Science Advisory Panel's upcoming (next day) meeting on suggested new questions for MWRA Ambient monitoring of the Massachusetts Bay. Along with reducing the amount of monitoring for questions that MWRA had already adequately answered, the OMSAP was considering whether to add one-time studies of emerging contaminants in the Bay. Andreae noted the millions MWRA has spent on monitoring since the outfall opened, and recommended WAC consider supporting a cap on what MWRA is expected to spend on harbor science. James Guiod confirmed that the Advisory Board believes that the MWRA should not need to increase their spending on monitoring. Bruce Berman of Save the Harbor/Save the Bay and PIAC (Mass Bay Outfall Monitoring Science Advisory Panel's Public Interest Advisory

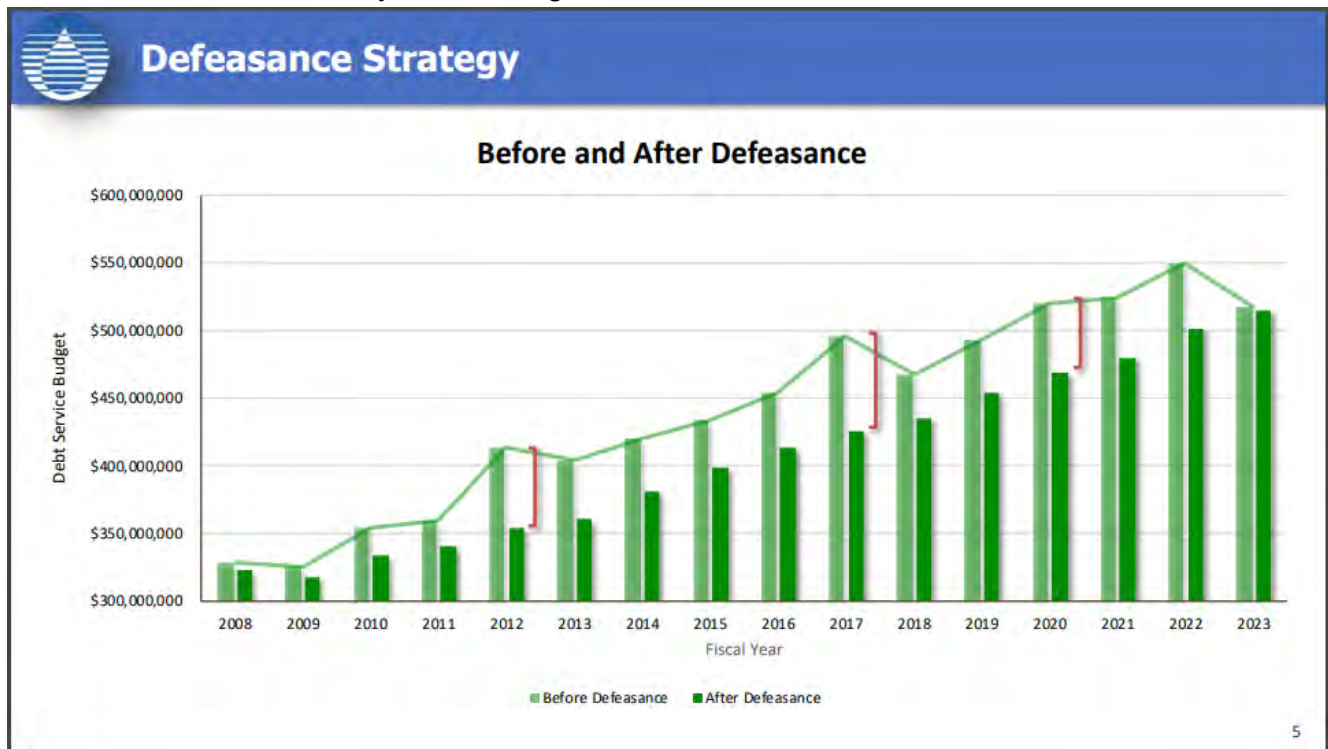
Committee) introduced himself and discussed the topic, clarifying that Save the Harbor is not advocating for a cap, but they do support it. After agreeing to table the discussion, all attendees introduced themselves for the record.

### **Presentation**

Matthew Horan, Treasurer of the MWRA introduced himself and his colleagues Jim Halloran, Budget Director, and Michael Cole, Budget Manager. He stated that the presentation would include the FY20 CEB (Current Expense Budget), and the CIP (Capital Improvement Program), which when combined, comes to over a billion dollars. The presentation is available for viewing [here](#).

First, the MWRA looks at their Rates Management Strategy, to make sure that their rates are predictable and sustainable through a multi-year approach. This is done by examining the capital financing expenses, which have been about 65% of the current expense budget over the past several years, as well as taking into account other factors like inflation and long-term liabilities. Matt shared a graph that detailed expenses over the past thirty years, including total indirect costs (e.g. insurance), direct costs (e.g. wages), capital finance costs (debt service), and operating costs. Debt service is very much driving the budget.

The MWRA continues to implement a defeasance strategy, which has made it possible to lower water and sewer rates for communities in future years. See image below for more information.



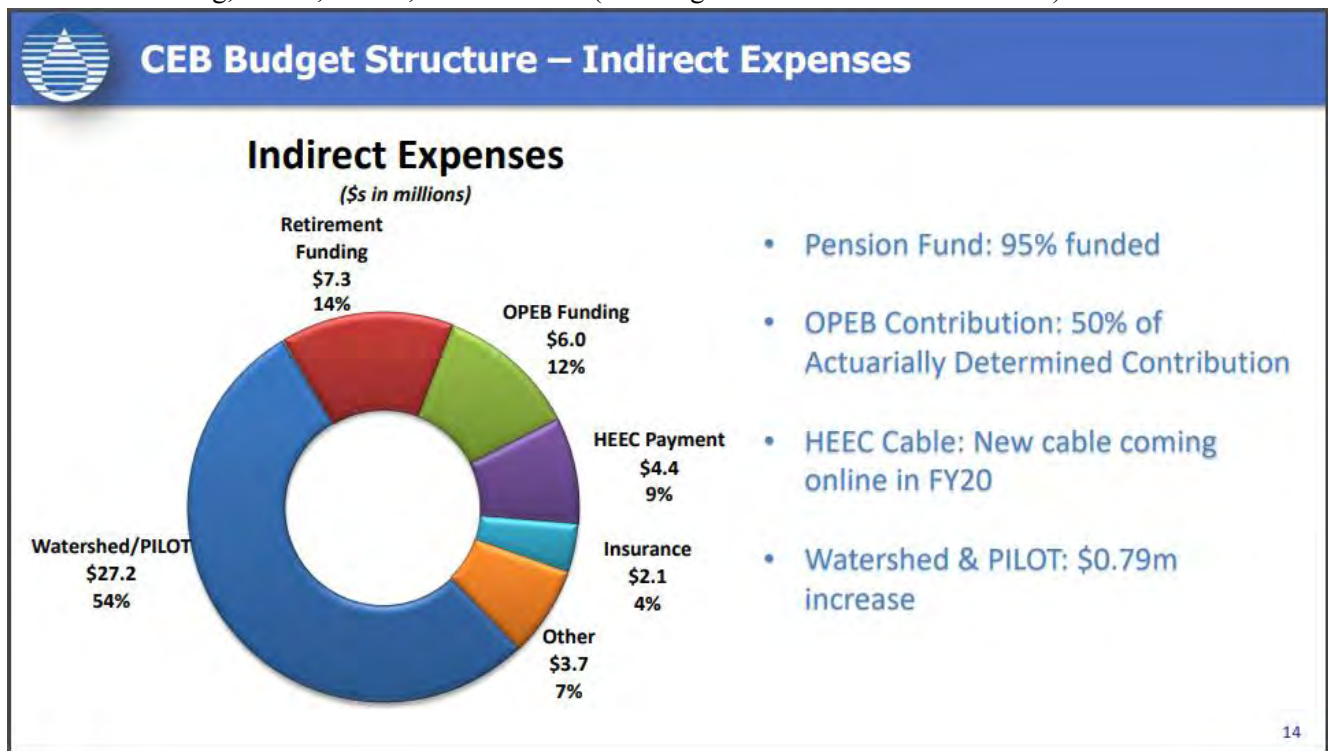
Matt addressed some of MWRA’s long-term liabilities, such as HEEC (the Harbor Electric Energy Cable). The projected expense for the cable increases over the course of the years, but in FY18, MWRA set aside a reserve of \$6.5 million, which helps smooth the cost of the cable as it affects the rates, instead of causing rates to spike. Other liabilities include the MWRA’s pension and OPEB (Other Post Employment Benefits) fund.

The presentation discussed the Current Expense Budget (CEB). There are several categories: Direct Expenses, Indirect Expenses, Capital Finance Expenses, Non-Rate Revenue, and Rate Revenue. A further breakdown of Direct Expenses after debt service is removed reveals 56% went to wages, fringe benefits and overtime (which was higher than budgeted for in FY19), 13% to maintenance (which did not change significantly from last year), 10% to Energy and Utilities (which increased, mostly due to electricity; Deer Island’s electricity price went up), 5% to Chemicals (went up by \$1.3 million this year, due to some price increases and some shifting of budget items to different categories), and 16% to Other (which includes items like worker’s comp, other professional services like cybersecurity, and sludge numbers, which have increased since FY19).

The presentation went into further details about the three main chemicals that are driving up prices in the Chemicals category. Sodium Hypochlorite, Ferric Chloride, and Activated Carbon have all increased in price, so the budget reflects these costs.

Health insurance has remained relatively stable.

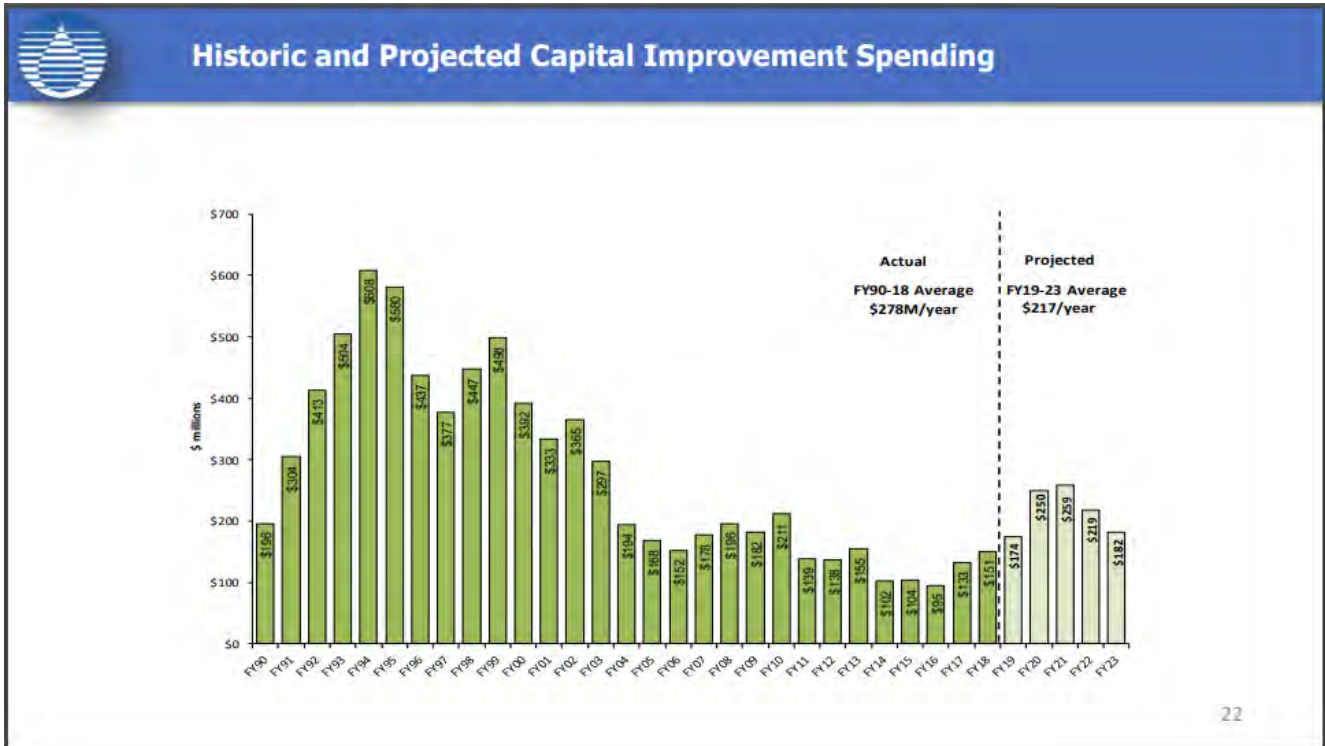
Mike Cole reviewed the breakdown of indirect expenses. Included is the watershed budget and annual PILOT (Payment In Lieu Of Taxes) payments. The question was posed as to whether the watershed budget was related to the effort to buy more conservation land, and Mike confirmed that it is not. Indirect Expenses also includes retirement funding, OPEB, HEEC, and insurance (see image below for more information).



The FY20 proposed CIP (Capital Improvement Program) includes projected expenditures of \$249.9 million. This breaks down to \$169.7 million (68%) to go to wastewater, \$65.4 million (26%) towards water. The top water construction projects include the Southern Extra High Redundancy and Storage and the New Connecting Mains – Shaft 7 to WASM 3. The presentation also shared the historical and projected rate revenue changes.

Looking at the history of rates broken down by sewer and water, the MWRA saw a significant spike in the water rates in FY16, going up from 3.5% to 7.7%, due to increases to the water utilities cost and debt service. The

MWRA continues to make a concerted effort to ensure that these sorts of rate spikes won't occur in the future, due to the restructuring of debt through defeasance. The question was posed whether water projects and wastewater projects are financed separately, and the presenter confirmed that they have historically been kept separate.



The next steps in the budget process are the Advisory Board 60-day review (currently underway), the Public Hearing (which was held in April), and a Board of Directors Hearing. MWRA staff and Advisory Board staff will present a draft of the Final Budget in May, and anticipate the FY20 Budget will be adopted in June.

The MWRA staff was thanked for their presentation, and the meeting was adjourned.

**WSCAC will meet again on May 14, 2019 at 10:00 AM at the MWRA Facilities in Southborough. Please [visit our website](#) for more information on this meeting.**