



WSCAC Meeting

Location: Held virtually

April 19, 2022 – 10:30 am

WAC Members in Bold in Attendance:

Wayne Chouinard (Chair, Town of Arlington), **Kannan Vembu** (Vice-Chair), **Adrianna Cillo** (BWSC), **Craig Allen**, Dan Winograd, George Atallah, **James Guidod** (AB), Karen Lachmayr, **Martin Pillsbury**, Mary Adelstein, Philip Ashcroft, **Stephen Greene**, **Taber Keally** (NepRWA)

WSCAC Members in Bold in Attendance:

Jerry Eves, WSCAC Chair

Michael Baram

Whitney Beals

William Copithorne, Town of Arlington

Steven Daunais, Tata & Howard

Andrea Donlon, CT River Conservancy

Bill Fadden, OARS

James Guidod – MWRA Advisory Board

Bill Kiley, BWSC

Paul Lauenstein, NepRWA

Martha Morgan, Nashua River Watershed

Martin Pillsbury, MAPC

Janet Rothrock, League of Women Voters

Bruce Spencer

Non-Members in Attendance

Lexi Dewey, WSCAC staff

Andreae Downs, WAC staff

Tom Durkin, MWRA Director of Finance

Matt Horan, MWRA Deputy Director of Finance

Michael Cole – MWRA Budget Director

Mandy Hart, WSCAC staff

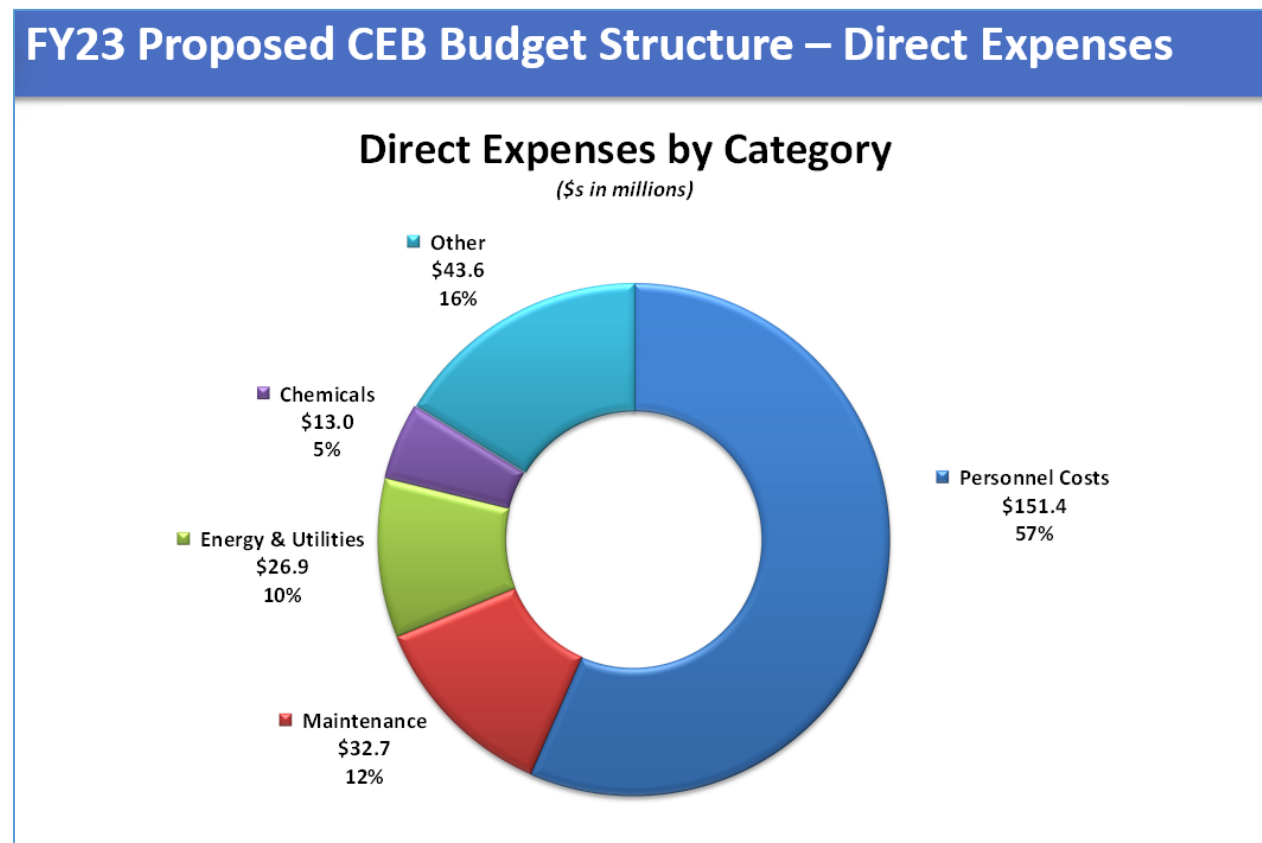
Andreae Downs opened the meeting and welcomed WAC and WSCAC members and presenters to the virtual April 29, 2022 WSCAC/WAC meeting. She thanked the presenters for attending.

Featured Presentation-FY23 MWRA Budget

Tom Durkin provided the following briefs on budget challenges for FY2023.

- The rate of inflation
- Material and supply delays due to shortages and shipment delays
- Difficulty obtaining new hires to fill staff vacancies (MWRA anticipates this condition will continue and will make some financial assumptions for the coming year).

Tom turned it over to Mike Cole to begin the next part of the presentation.



Mike explained that the budget is increasing by 3.4% year over year. Direct expenses are increasing by 7.8 million or 3%. This is in line with historical trends. Personnel costs make up the largest part of the budget at 151.4 million or 57%. This cost includes salaries, workers compensation, overtime, and fringe benefits. Overtime and workers compensation generally remain flat over time.

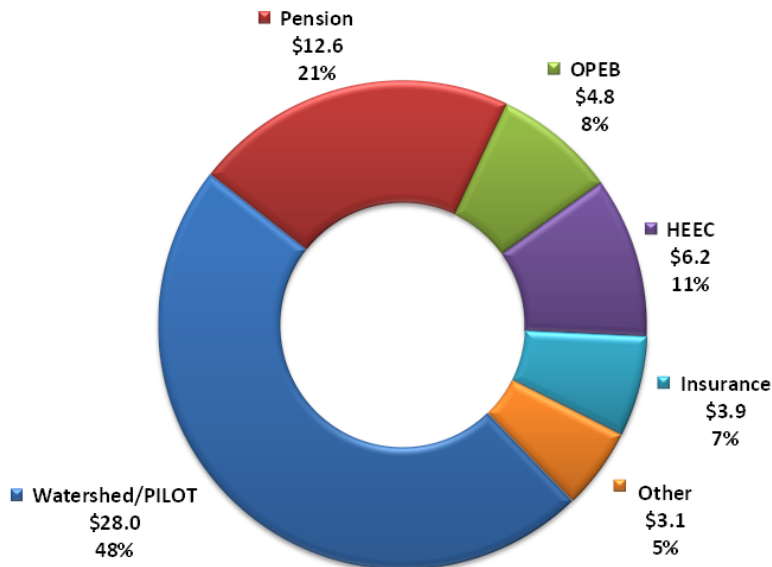
Energy & Utilities, and Chemicals are two areas seeing a large impact. Maintenance costs have not seen much change. Utilities have increased due to supply change issues and increasing material costs. Electricity prices are increasing by 1.8 million each year or 9.5% due to transmission and distribution charges. Chemical contract renewals will take place in FY2023 and are expected to rise by 15% or more.

The increase to the cost of the pellet plant contract renewal in December is being discussed in the budget process with assumptions being made regarding price.

FY23 Proposed CEB Budget Structure – Indirect Expenses

Indirect Expenses by Category

(\$s in millions)



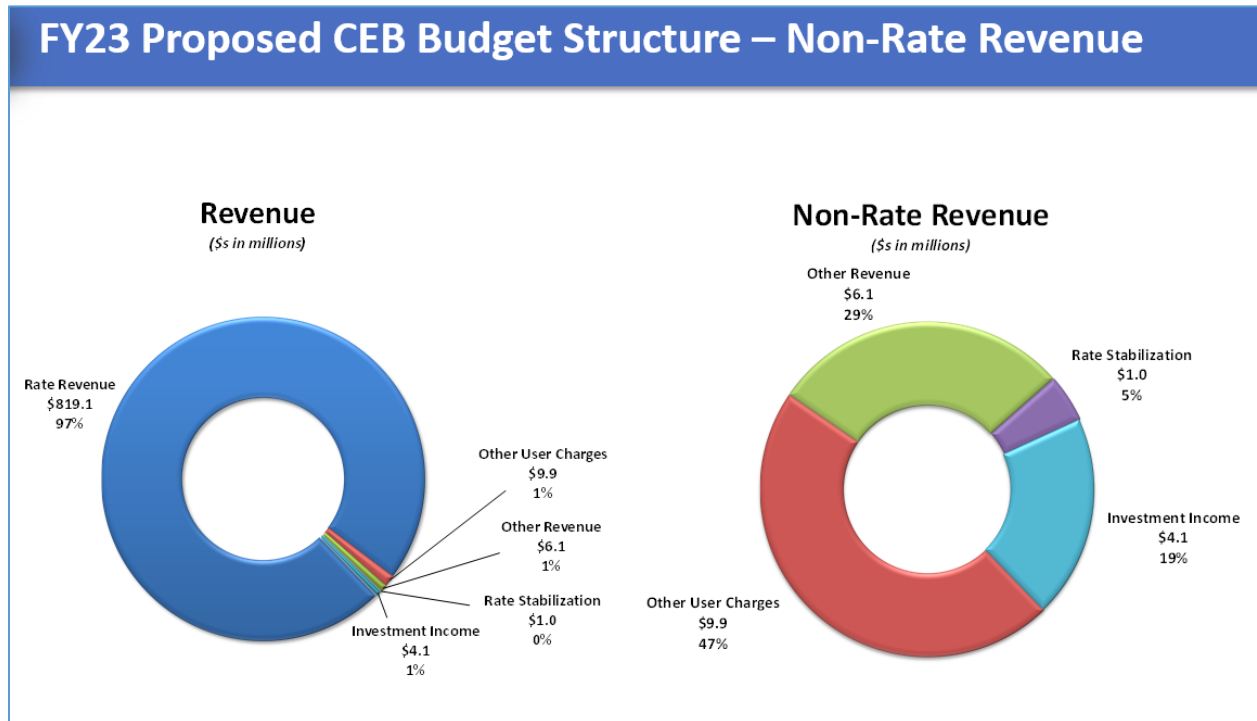
Mike continued to say that Indirect Expense amounts are projected to increase by just under 2 million or 3½ percent.

The Watershed/Pilot budget is created by the DCR-DWSP Watershed budget that is approved annually by the members of the Water Supply Protection Trust. The budget will incorporate a vacancy adjustment now that DCR-DWSP is no longer constrained by a hiring cap. Part of the budget will be based on the amount in wages and fringe benefits in regards to the timing of hiring. Lexi asked, “How do you look at the revenue portion that DCR brings in changes every year from fishing, hydroelectric revenue and forestry?”

Mike answered that MWRA staff work with John Scannell, Director of Water Supply Protection and his team to include revenue expense details in time for the proposed budget meeting. They expect an increase in contractual change and fringe amounts for union workers, which makes up a large part of the budget. DCR revenue is historically around one million. The expense budget is typically around 19 million and remains relatively stable. Lexi asked, “Are you at the end of 5 year cap for land acquisition funding for the watershed?” Mike responded that the cap ends in FY2023 and that they will make sure that 1 million is available to DCR-DWSP for land acquisition.

Other categories in the slide above include Pension, Insurance which has generally remained flat, Other Post-Employment Benefits, the HEEC cable, and mitigations and additions to the reserves.

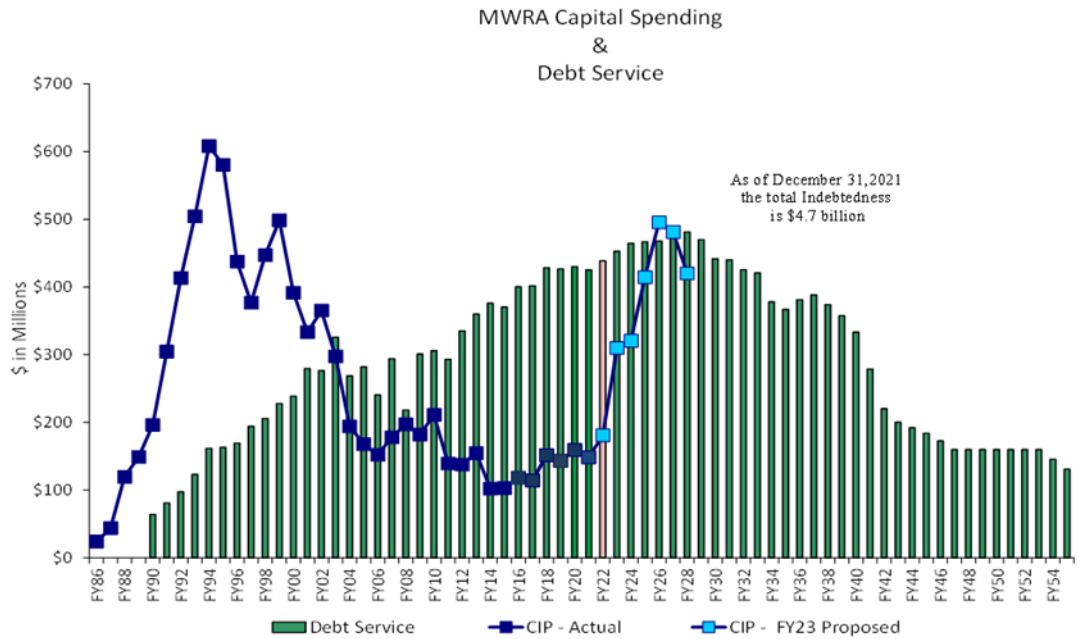
Matt Horan informed members that \$513 million is projected in the Capital Finance Budget for 2023. He reiterated that over 60% of MWRA’s total CEB is comprised of the capital finance budget including debt repayment. Ninety four percent of the capital finance budget is for paying interest and principal on issued bonds. It is anticipated that there will be \$293 million in principal payments in FY2023. The variable rate component of the budget is based on a 3.5 percent variable interest rate assumption.



Matt explained that revenue is growing by 3.4% or 840.2 million. Of that, 97% is rate revenue. On the right, you can see a better breakdown on the non-rate revenue side that includes investment income, rate stabilization, and other user charges.

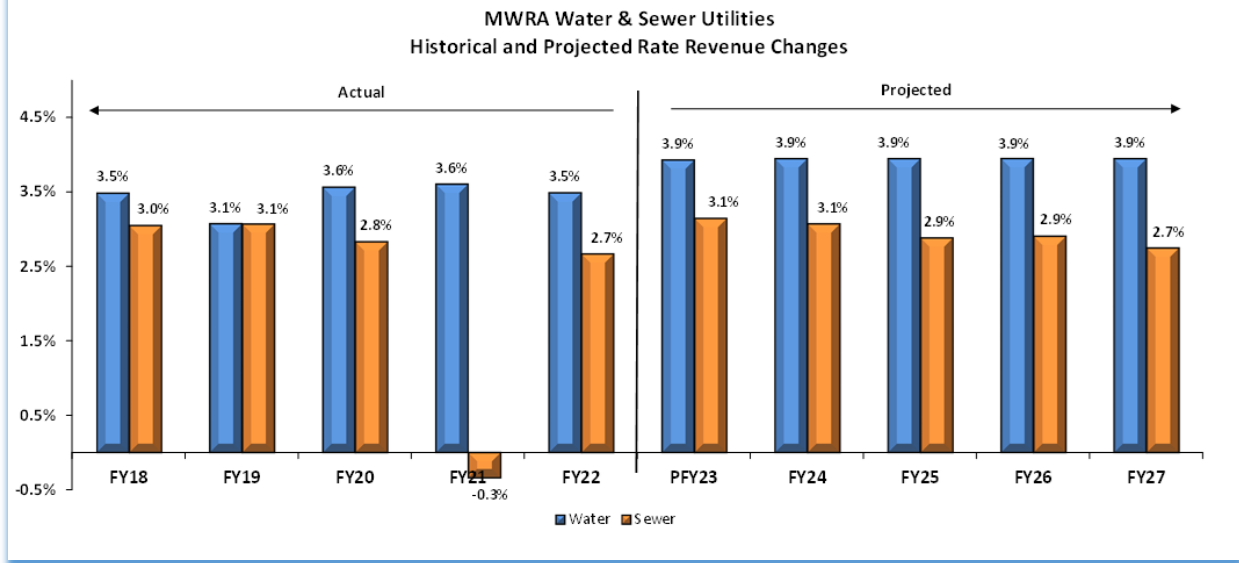


Capital Spending and Debt Service



Matt explained that the mountain of debt shown above was previously very high, but it has started to level off. The 60% of the debt must be managed to make sure the capital program is affordable. It is a challenge to meet capital needs without putting pressure on rates. Finance staff continue to shape the mountain by monitoring debt and using the defeasance strategy to lower rates when possible for the future.

FY23 Proposed CEB – Rate Projections (By Utility)



Tom explained that the water utility is proposed to increase by 3.9%. Water accounts for 1/3 of the budget, while wastewater accounts for 2/3.

Tom added that setting the budget starts with one number, that is, the rate of increase year over year for both water and sewer combined for all MWRA communities. The MWRA Finance team sets the water and wastewater assessments in order to meet debt obligations and expenses. They don't just look at fiscal year 2023, but instead look ahead with a five year projection. This allows for sustainability and predictability in order to allow both the MWRA and its communities to plan for the upcoming years.

One aspect of this proposed budget reflects the increase in inflation and how that affects the price of chemicals for example. Chemicals are based on a 3 year contract. It is expected to increase by 15% for the next contract renewal. Inflation has caused gas and diesel prices to rise as well as utilities.

FY23 Proposed CIP – Top Spending Projects Excluding Community Loans in FY23

Project	Subphase	FY23 \$s in Millions	% of Total
Deer Island Treatment Plant Asset Protection	Clarifier Rehabilitation Phase 2 - Construction	\$31.2	10.1%
Facility Asset Protection	Prison Point Rehabilitation - Construction	19.7	6.4%
Corrosion & Odor Control	NI Odor Control HVAC Improvements Construction Phase 2	15.2	4.9%
Metro Redundancy Interim Improvements	Waltham Water Pipeline Construction	14.0	4.5%
MWRA Facilities Management	Office Space Modifications	13.8	4.5%
Deer Island Treatment Plant Asset Protection	Fire Alarm System Replacement - Construction	8.3	2.7%
Metro Redundancy Interim Improvements	WASM/SPSM West Pressure Reducing Valve Construction	7.9	2.5%
New Connecting Mains-Shaft 7	CP3-Sect 23,24,47, Rehabilitation	7.8	2.5%
NIH Redundancy & Storage	Section 89 & 29 Replacement - Construction	7.1	2.3%
Central Monitoring System	CWTP SCADA Upgrade Construction	5.4	1.7%
Metro Redundancy Interim Improvements	WASM 3 CP-1	5.2	1.7%
Siphon Structure Rehabilitation	Construction	5.0	1.6%
	Total Contracts > \$5.0 million (excl. Loan Programs)	\$140.7	45.4%
	Other Project Spending	\$169.0	54.6%
	Total FY23 Spending	\$309.7	100.0%

Above is a snapshot of the top projects included in the FY2023.

Relevant Water Projects:

- Metro Redundancy Interim Improvements – The three phases: Waltham water pipeline construction, WASM/SPSM West pressure reducing valve construction, and WASM 3 CP-1, make up 27.1 million combined or 8.7% of the proposed budget.
- The Siphon Structure Rehabilitation Construction accounts for \$5 million or 1.6% of the budget.

These are considered sizable projects. Impacts such as delays in starting or delays in construction can cause negative variances.

Mike informed committee members that the budget has been submitted to the MWRA Advisory Board for review. The Advisory Board will provide comments which will be addressed by MWRA financial staff. The final budget will be voted by the MWRA Board of Directors in June.

Paul Lowenstein asked, “My question is on climate change and the urgency to deal with climate change as emissions continue. I want to commend MWRA on reducing its carbon footprint. I heard we could reverse the order of methane on Deer Island. Right now the methane goes to heating first and then electricity. We could generate electricity first and then use the rest to heat the buildings. I heard it was an 80 million dollar project and would like to know what’s going on with that.”

Tom answered that MWRA is now 96% green. Accounting for water elevation, they now put equipment up on concrete foundation sand alter or build new entrances on project sites to reduce water contamination. They just did a procurement of electricity readings using an interval meter that measures both time and electricity at once. It costs more, but engineers have done an evaluation to ensure that standards are being met since the MWRA recognizes the importance of the impact on climate change over the cost. The advisory board will discuss Deer Island at the upcoming meeting and advise on how to move forward with that.

Paul said: “I wanted to respond to Gwen’s question on public education inquiry. When I sold my business, I insisted on water conservation as a priority. If you don’t have a water committee in your town, you should. We put inserts in water bills. The town of Sharon reduced water usage by over ten year period by 30% and saved over 100 million gallons a year. It all ties in to a sustainability package, it reduced carbon emissions by 100 tons last year. Keep pounding the table for conservation of energy and water. It all constitutes a conservation effort.

Adrianna explained that when BWSC bills are sent out, inserts are included to educate the public about conserving water.

Andreae informed the attendees that the MWRA has a number of handouts and freebies to educate and equip the public to work on water conservation starting at home including educational brochures, and low flow shower heads.

Included:

- Tips to save water at home - <https://www.mwra.com/comsupport/conservation/hometips.htm>
- Water Efficient Appliances - <https://www.mwra.com/comsupport/conservation/appliances.htm>
- Low-flow toilets - <https://www.mwra.com/comsupport/conservation/toilets.htm>
- Garden and Landscaping water conservation tips:
<https://www.mwra.com/comsupport/conservation/gardeningtips.htm>

James Guiod of the MWRA Advisory Board explained that staff are focused now is on the proposed MWRA FY23 budget. At their April 21st meeting, staff will present their recommendations on the proposed budget.

Andreae asked if WSCAC had any briefs to provide.

WSCAC briefs:

- Lexi informed members that March and April minutes will be voted on at the May 10th meeting.
- Lexi asked Andreae and WAC members if they would be willing to do another joint meeting in May covering the PFAS Interagency Taskforce. She is hoping to have a report available to offer to members in time for the May meeting.

Lexi explained that WSCAC members will vote on the March and April minutes at the May 10th meeting. She asked Andreae and WAC members if they would be interested in a joint meeting in May if the final report from the PFAS Interagency Taskforce is available.

Andreae counted four WAC members that can attend, but will verify by email.

Lexi concluded by noting that the CSX/Pan Am transaction was approved and MWRA’s agreement with CSX was included as part of the Order. The Surface Transportation Board’s decision will be final on May 14, 2022 assuming that no one files an appeal.

Presenters were thanked for attending.

Meeting adjourned.