



Minutes

March 28, 2025

Remote

Attendees:

WAC Members: Kannan Vembu (Chair), Dan Winograd (Vice Chair), **Adriana Cillo** (BWSC), **Craig Allen**, **Wayne Chouinard** (Belmont), George Atallah, **Dr. Karen Lachmayr**, **Martin Pillsbury** (MAPC), **Stephen Greene**, Taber Keally (NepRWA), **Alfredo Vargas** (Newton), **Christine Bennett** (Advisory Board). (Members in attendance in **bold**).

Guests: Tom Durkin, Matt Horan, Mike Cole, Chad Whiting, Jim Coyne, Malcom Regan, Eben Nash, Michelle Gillen (MWRA), Moussa Siri, Bill Kiley, Paul Lauenstein, Paul Rybicki, Bill Copithorne, Erin Bonney Casey, Janet Rothrock, William Merriam, Warren Kimball (WSCAC), Judy Pederson, Julie Simpson (OMSAP), (BWSC), Zhang, Tian (Northeastern), Richard Raiche (Somerville, Advisory Board), Kristin Anderson, Ann McDonald (Save the Alewife), Felina Silver (LWV Brookline), Erica Casarano (AECOM), Josie Ahlberg (MMA)

Staff: Andreae Downs

VOTES: 1. WAC February 2025 minutes; 7-0 with 2 abstentions

2. Comment letter to EPA on Draft Risk Assessment for Biosolids—9-0

Advisory Board—Christine Bennett:

- In the midst of MWRA budget review
- May meeting will include a workshop on Inflow and Infiltration with professional credit hours
- All AB links [here](#)

WSCAC Update—Moussa Siri:

DIRECTOR'S REPORT—Andreae Downs: April 3, 6-8 pm, MWRA will hold a listening session on Combined Sewers.

Two possible new WAC members in attendance: Zhenyu Tian, a professor at Northeastern, and Felina Silver of the LWV Brookline.

The wipes labeling bill has been re-filed on Beacon Hill, and we are looking for a contact in Consumer Affairs who can help determine if that department can take on enforcement. There is also a bi-partisan bill in Congress that would require labeling and standards for wipes.

PRESENTATION—

Presentation: MWRA Current and Capital budgets FY26

Tom Durkin, Director of Finance and CFO of MWRA, Matt Horan, Deputy Director of Finance and Treasurer, and Michael Cole, Budget Director of MWRA.

Tom Durkin

- This year, the budget has less volatility, despite inflation, because more than half of the budget is debt service, much of which is fixed rate.
- MWRA approaches budgeting two ways; one is to watch the large items like debt service, the pension liability, wages and salaries, but to also watch the smaller things.
- MWRA process: staff put together this budget and presented it to MWRA board of directors in February (proposed budget in February with a final version as a recommendation in June.)
 - They then engage with the Advisory Board. And the Advisory Board will make formal recommendations and comments. MWRA staff work with them through this time in June when they will make their final recommendation to the Board.
 - In the spring, MWRA revisits costs, engaging with their department heads again about budgets and awarded contracts.

I. MWRA Fiscal Year 2026 Proposed Current Expense Budget

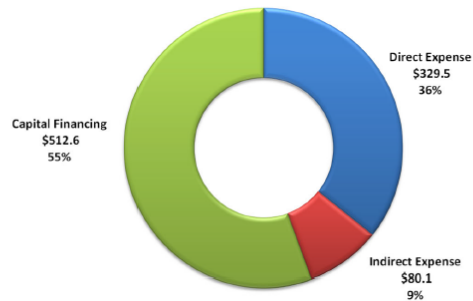
Michael Cole



FY26 Proposed CEB – Budget Structure

FY26 Proposed Current Expense Budget

(\$s in million)

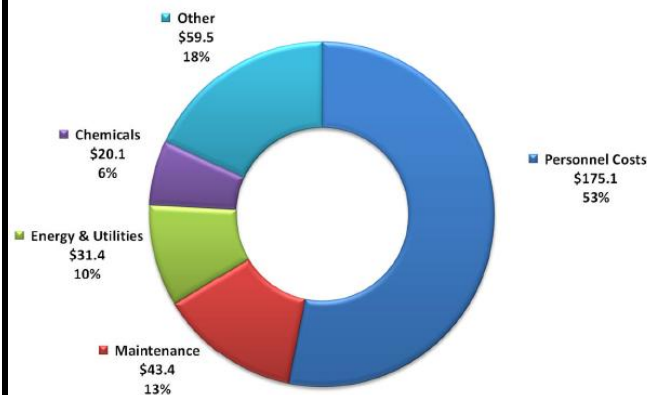


- **FY26 Proposed CEB:** Increase of \$21.6 million or 2.4% over FY25.

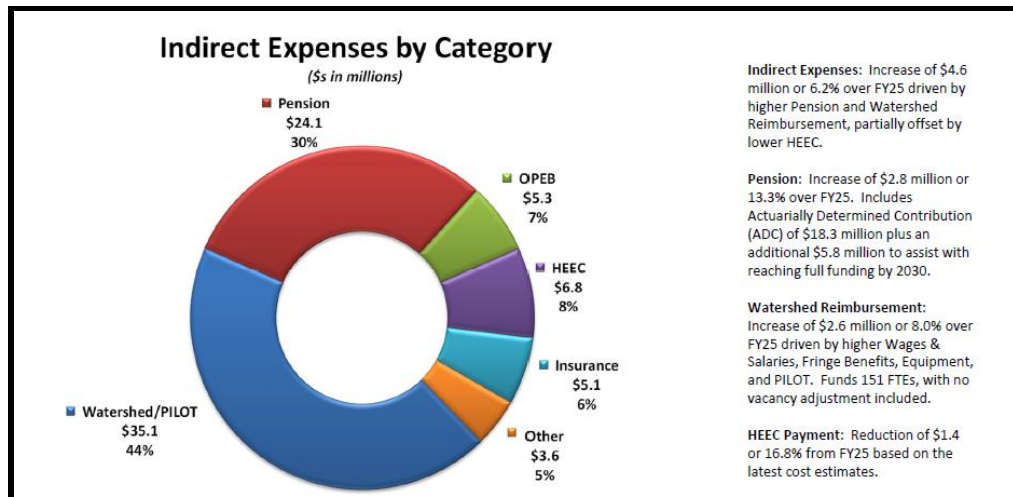
- Capital finance makes up 55% (the biggest portion of the budget), direct expenses make up 36%, and indirect expenses make up 9%. (see graphs)

Direct Expenses by Category

(\$s in millions)



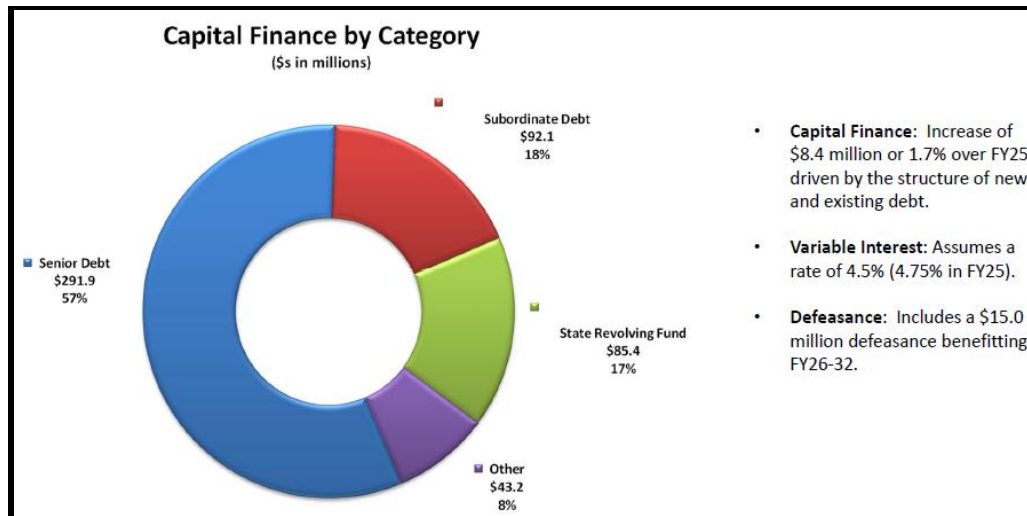
- **Direct Expenses:** Increase of \$8.5 million or 2.6% over FY25 driven by higher Other Services and Wages & Salaries, partially offset by lower Maintenance.
- **Other Services:** Increase of \$6.7 million or 19.8% over FY25 driven by Sludge Pelletization which increased by \$6.1 million or 26.9% primarily due to the addition of potential landfill disposal costs due to PFAS issues.
- **Wages & Salaries:** Increase of \$3.5 million or 2.6% over FY25. Funds 1,166.2 FTEs (1,168.0 FTEs in FY25). Includes a Vacancy Adjustment (reduction) of \$5.6 million.
- **Maintenance:** Decrease of \$3.3 million or 7.1% from FY25 driven by the completion of several large projects.



- Under indirect expenses, higher watershed reimbursements of \$2,100,000 are anticipated
- For the HEEC cable Payment, they anticipate (sometime later in the spring) receiving the true-up for calendar year 2024 expenses, which will dictate whether the HEEC budget for FY26 will go up or down.

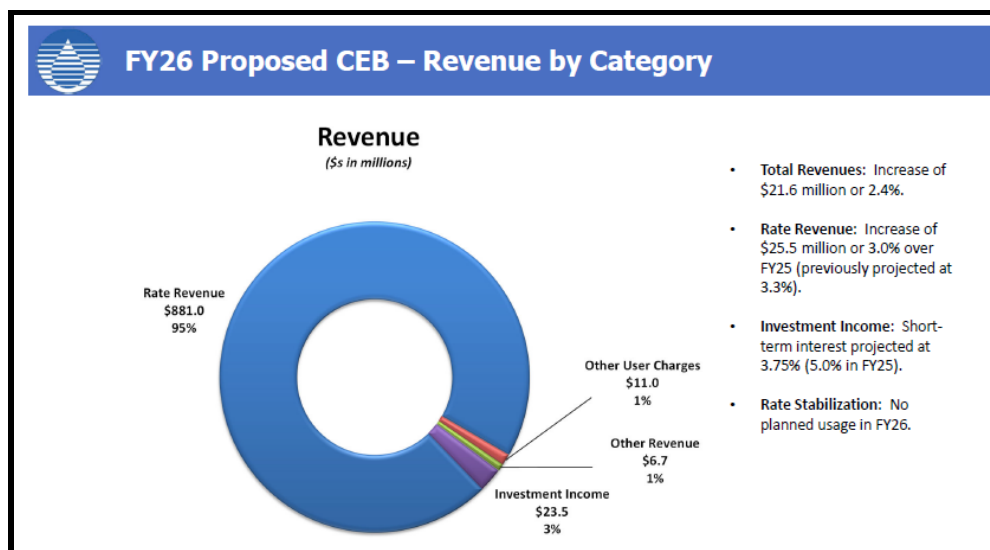
Matt Horan

- Capital finance is payment of MWRA's long-and short-term debt. It is the largest component of the budget (\$512.6 million).
 - A lot of pressure from inflation on the direct and indirect expenses, but not as much on the debt service because 88% of the bonds are fixed rate.
 - About 17% of the debt service budget goes to the state revolving fund, subsidized loans from the Massachusetts Clean Water Trust. These have a lower interest rate of about 2.15% (See graph below).
 - The next big component is MWRA subordinate debt, and that is all of the variable rate debt.
 - This budget is built around a potential \$15m defeasance, or pre-payment of debt, which has helped maintain rates over the last ten or fifteen years.



Michael Cole

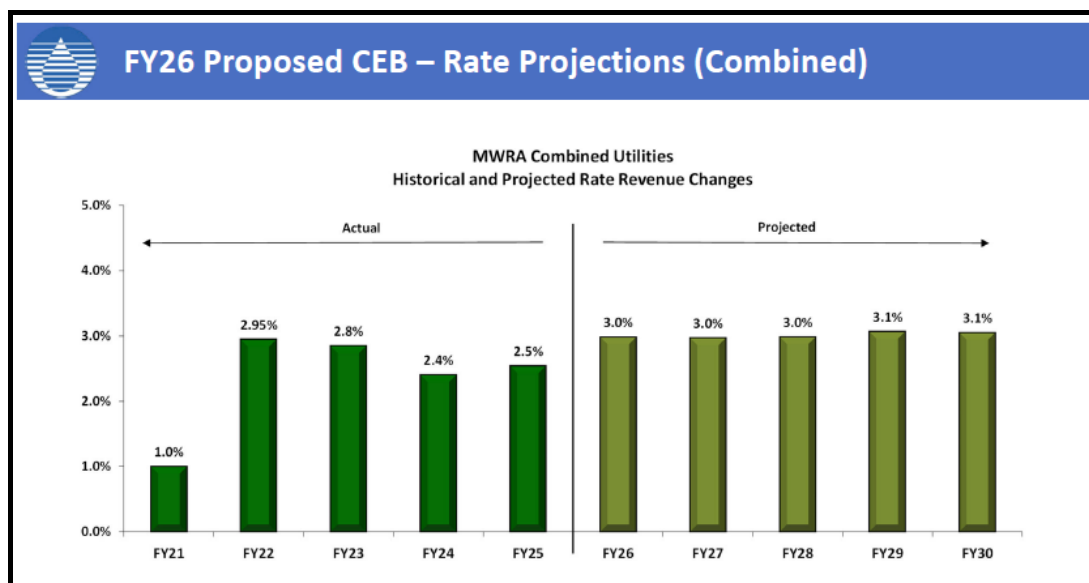
- View of the revenue they anticipate for FY26 (see graph below).
 - In total, \$922,200,000.0.
 - That's an increase of \$21,600,000.0 or 2.4% year over year.
 - The largest component of that would be the rate revenue, showing an increase of 25.5 million or 3% over FY25 (original projection for FY25 budget last June was 3.3%).
 - Reduction in investment income of \$4,900,000.0 or 17.4% year over year (the assumption here is the short term interest at 3.75% as compared to a 5% assumed in FY25).
 - No assumption that there would be rate stabilization income from the state in FY26.



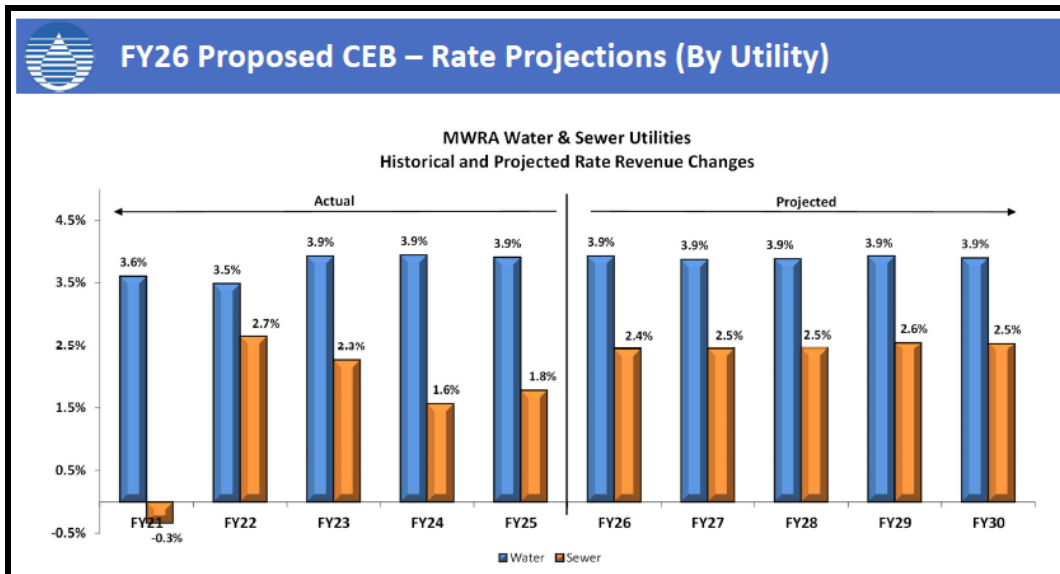
Tom Durkin

MWRA tries to balance rate increases on a utility basis.

- Rate projections (Combined): Rate increases drive everything done in finance, whether it's investing, debt issuance, cash management, or balance sheet management.
 - Every community will have its own unique change from year to year
 - MWRA looks at rate changes on a combined basis, both water and sewer.
 - This year they project a 3% increase, but MWRA also projects assessment increases in the future, out 4 and more years.
 - The goal is to minimize that increase and to stabilize it ("sustainable and predictable"). They use a five-year view to see where rates will be next. Sustainability and predictability are crucial for retailers and the communities.
 - MWRA works to bring that down the rate and to bring some additional stability in the next years (3% as projection).



- Rate projections (by utility): They look at rate projections on a utility basis (see graph below).
 - Blue is for water, and orange is for sewer.
 - Typically sewer is about twice as expensive as water, but increase in water rates (3.9%) is a challenge
 - Some of the sewer debt is getting paid down, so that rate is changing less than the water side is.



II. MWRA Fiscal Year 2026 Proposed Capital Improvement Program (CIP)

Michael Cole

- Showed the original FY26 CIP baseline spending cap (in dark red, top chart) vs. the revised FY26 proposed CIP (light red, below)

FY26 Proposed CIP – Baseline Cap vs. FY26 Proposed Cap							
FY24-28 Baseline CAP		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	\$288.2	\$357.9	\$313.5	\$349.8	\$349.1	\$1,658.5
	Metropolitan Tunnel	\$14.4	\$25.2	\$23.9	\$23.9	\$78.6	\$166.2
	I/I Program	(42.9)	(41.5)	(27.5)	(28.4)	(34.2)	(174.5)
	Water Loan Program	(14.1)	(10.9)	(5.0)	(2.6)	8.6	(24.0)
	MWRA Spending	\$245.6	\$330.8	\$304.9	\$342.8	\$402.2	\$1,626.3
	Contingency	15.2	21.8	20.7	23.6	31.7	113.0
	Inflation on Unawarded Construction	1.9	8.1	12.2	22.1	36.1	80.4
	Chicopee Valley Aqueduct Projects	(0.3)	(0.5)	0.0	0.0	0.0	(0.8)
	Projected Spending before Adjustment	\$262.4	\$360.2	\$337.8	\$388.5	\$469.9	\$1,818.9
FY26 Proposed CAP	Spend Rate Adjustment (25%)*	(65.6)	(90.1)	(84.5)	(97.1)	(117.5)	(454.7)
	FY24 Final FY24-28 Spending	\$196.8	\$270.2	\$253.4	\$291.4	\$352.5	\$1,364.2
		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	\$199.2	\$295.6	\$358.2	\$437.4	\$496.9	\$1,787.3
	Metropolitan Tunnel	\$9.0	\$28.1	\$43.2	\$39.7	\$73.9	\$194.0
	I/I Program	(22.0)	(62.5)	(51.3)	(48.6)	(53.4)	(237.9)
	Water Loan Program	(26.2)	(27.7)	(30.4)	(18.9)	(16.9)	(120.1)
	MWRA Spending	\$160.1	\$233.5	\$319.7	\$409.5	\$500.5	\$1,623.3
	Contingency	0.0	14.7	21.3	28.1	36.5	100.5
	Inflation on Unawarded Construction	0.0	0.0	3.1	12.1	25.5	40.6
	Chicopee Valley Aqueduct Projects	0.0	0.0	(0.0)	(0.3)	0.0	(0.3)
	Projected Spending before Adjustment	\$160.1	\$248.2	\$344.0	\$449.4	\$562.4	\$1,764.2
	Spend Rate Adjustment (25%)*	0.0	(62.0)	(86.0)	(112.4)	(140.6)	(401.0)
	FY26 Proposed FY24-28 Spending	\$160.1	\$186.1	\$258.0	\$337.1	\$421.8	\$1,363.1

- FY26 Proposed CIP – Top Spending Subphases Excluding Community Loans in FY26
 - Slides show the most expensive projects in FY26 of greater than 5,000,000 (see table for details).
 - 6 of the top projects are already awarded and active.

FY26 Proposed CIP – Top Spending Subphases Excl. Community Loans in FY26		
Project	Subphase	FY26 \$s in Millions
DI Treatment Plant Asset Protection	Clarifier Rehab Phase 2 - Construction	\$50.0
Metro Water Tunnel Program	Final Design/ESDC	\$23.0
New Connect Mains-Shaft 7 to WASM3	Section 75 Extension - Construction CP-1	\$12.0
Metro Water Tunnel Program	Admin Legal & Public Outreach	\$12.0
NHS - Revere & Malden Pipelines	Section 56 Replacement- Construction	\$10.2
Facility Asset Protection	Hayes Pump Station Rehab Construction	\$8.8
Northern Extra High Service New Pipelines	CP-2 NEH Improvements	\$8.5
NHS - Revere & Malden Pipelines	CP-1 Section 68 Construction	\$8.0
Residuals Asset Protection	Various Equipment Replacement	\$6.8
DI Treatment Plant Asset Protection	DI Digester Storage Membrane Replacements	\$6.0
Alternative Energy Initiatives	DITP Solary Canopy	\$6.0
Metro Redundancy Interim Improvements	Waltham Water Pipeline Construction	\$5.4
DI Treatment Plant Asset Protection	MCC & Switchgear Replace Construction	\$5.3
Total Contracts ≥ \$5 million (excluding Loan Programs)		\$161.8
% of FY26 Spending		40.3%
Other Project Spending		\$239.5
Total FY26 Spending		\$401.4

- 13 subphases with anticipated spending of > \$5M are driving 40.3% of total projected spending in FY26.

- 6 of the top spending subphases listed are awarded/active.

- FY26 Proposed CIP – Top Spending Subphases Excl. Community Loans in FY24- 28 (see table for details)
 - The top 20 projects in the total cap period, FY24 through FY28. These projects are driving 40.9% of total projected spending in that period.
 - The gray shaded subphases are awarded/active.

Project	Subphase	FY24-FY28 \$s in Millions
DI Treatment Plant Asset Protection	Clarifier Rehab Phase 2 - Construction	\$227.7
Metro Water Tunnel Program	Final Design/ESDC	\$82.5
NHS - Revere & Malden Pipelines	CP-2 Section 116	\$62.0
Facility Asset Protection	Prison Point Rehab Repackaged	\$38.7
DI Treatment Plant Asset Protection	SSPS VFD Replace Construcion	\$38.0
Metro Water Tunnel Program	Admin Legal & Public Outreach	\$37.8
DI Treatment Plant Asset Protection	Combined Heat & Power - Construction	\$33.5
Metro Redundancy Interim Improvements	Waltham Water Pipeline Construction	\$28.6
DI Treatment Plant Asset Protection	Digester/Storage Tank Rehab Construction	\$27.9
Facility Asset Protection	Hayes Pump Station Rehab Construction	\$25.6
Metro Water Tunnel Program	Tunnel Construction South CP2	\$24.6
Northern Extra High Service New Pipelines	CP-2 NEH Improvements	\$22.8
DI Treatment Plant Asset Protection	Fire Alarm System Replacement - Construction	\$22.0
New Connect Mains-Shaft 7 to WASM3	Sect 25 & 24 - Const CP-2	\$21.2
Facility Asset Protection	Ward St Headworks Construction	\$21.0
DI Treatment Plant Asset Protection	MCC & Switchgr Replace Construction	\$21.0
Quabbin Transmission System	Wach LGH Pipe & Boiler Rpl Construction	\$20.5
NIH Redundancy & Storage	Section 89 & 29 Repl - Construction	\$19.2
DI Treatment Plant Asset Protection	Eastern Seawall Construction - 1	\$18.1
New Connect Mains-Shaft 7 to WASM3	Section 75 Extension - Construction CP-1	\$17.3
Total Top 20 Spending Subphases (excluding Loan Programs)		\$810.0
% of FY24-28 Spending		40.9%
Other Project Spending		\$1,171.3
Total FY24-FY28 Spending		\$1,981.3

- Addition of five total new projects to the FY26 CIP (see slides for images)
 - 2 New Energy Projects
 - Chelsea Admin Building Heat Pumps: \$2.5M

- Deer Island Wind Turbine Replacement: \$4.5M
- 3 Other New Projects
 - Ward Street Air Handling Replacement: \$2.0M
 - Loneragan Intake Improvements: \$2.0M
 - Pipe Bridge Inspection: \$0.9M

Tom Durkin

- FY26 Proposed CEB – Next Steps
 - Spring Revisit Process (internal)
 - Provide briefings to Advisory Board Staff (external)
 - MWRA Public Hearing
 - MWRA Board Hearing in May
 - The Advisory Board will make its formal comments and recommendations
 - Staff anticipate FY26 Budget adoption in

Summary of Questions and Answers

Question – Paul Lauenstein: You talked at length about stability, which is, rightfully, a very important aspect of the program. In the beginning, you said you expect more stability over the next few years than over the past few years (I was surprised to hear that in view of the daily news that we get from Washington), and I wonder if you could comment on that.

Answer – Tom Durkin: You're right. I think about the daily news that we're hearing about tariffs and what that means to prices, and we are concerned about that. What we're particularly focusing on are the foundational components of the budget, debt service, wages, and salaries. Things like chemicals and energy is where our volatility is. We need to be prepared for the volatility. I think that those, for the next year and perhaps the year after, will be more stable than they had been.

Inflation was at a very high rate for the past few fiscal years, and the development of our budgets, I think, chemicals, we had assumed, were increasing by 75% for FY25. Now we didn't get to that level, but that conservatism gave us some stability. At least as of right now, we're still optimistic about some stability this year and next.

Question – Paul Rybicki: What is I&I?

Answer 1 – Andreae Downs: I&I is inflow and infiltration. It's water that doesn't belong in the sewer that gets in through either people making an illegal connection or an inadvertent connection to the sewer of a drain pipe, or through cracks in the pipes and other ways that water can seep into the sewer and ends up being treated at Deer Island and sent out into the bay.

Answer 2 – Tom Durkin: Let me add to that. That is a great description of what I&I is. From a budgetary point of view, know that MWRA has a community loan and grant program. I think of it as kind of two flavors; one is for the water side and one is for the sewer side.

These zero-interest loans and some grants help communities finance their I&I reduction. We think we know how much is going to be lent. We know what the repayment stream is, and that's why you see it in our budget presentation.

Answer 3 – Andreae Downs: And the Advisory Board will have a workshop in May on I&I for communities.

Question – Andreae Downs: I noticed that there is additional money for solar panels on Deer Island and the combined heat and power plant, but they have not been awarded yet. Do you have an idea of when the construction of those might get started?

Answer – Chad A. Whiting: We are in conceptual design for the new combined heat and power system on Deer Island. It's a 100--month project, so it's a few years out. Our energy staff is working on replacing some of our solar panels. We've had the same inverter issues and are looking at replacing those inverters and updating our solar systems. Also on the energy side, we're required by our NPDES permit (National Pollution Discharge Elimination System) to have backup generators for Deer Island. We use those to shave peak demand through ISO New England. That program alone saves MWRA about a million and a half dollars.

We pull our load off the grid when other systems go down. And while maintaining the generators costs close to a million dollars a year, they earned MWRA \$2,100,000 in FY24..

Along with the capital improvement program and our general operations, we are doing what we can to stretch every dollar, especially in energy and chemicals. Chemicals, we adjust our demand daily and make sure that we're not wasting chemicals in any part of the process

Question – Andreae Downs: I noticed that you are replacing a wind turbine, and you mentioned the DEP reimbursement. Have you calculated the return on investment over time?

Answer – Chad Whiting: I do not have that information for you today, but we can get it for you.

Comments – Andreae Downs: It just would be good to know that it will pay for itself before it needs replacement.

Question –William Merriam Is forestry revenue is included in the 1% other category.

Answer – Michael Cole: It is not. Forestry revenue is collected by the DCR watershed division. It's included in their work plan, and as you know, we fund the watershed division's operation. So any revenue they collect, whether it be hydro, forestry, fishing/game, etc., that reduces the amount we pay DCR each month.

Question –Felina Silver: Have you captured the true cost of personnel? Are people being over worked? MWRA has a bit of an understaffing issue.

Answer 1 – Tom Durkin: Personnel has been a challenge. We've got a terrific HR department that is working to bring us up our optimal staffing level. We measure staff in full-time equivalents, FTEs, and we had a study some years ago that examined our workforce and set us on a path for 1,150 full-time equivalents, and we're about 100 FTEs down from that. And that puts some stress on our existing staff. COVID may also have accelerated the retirements of some of our senior people.

We've seen some additional retirements. And it seems like the workforce is changing; we're doing what we can. We are making an effort to educate people about our benefits: a pension, good health insurance.

Answer 2 – Chad Whiting: So to add to what Tom's saying, we are very committed to training our internal staff to bring them up through the ranks and promote from within. We have shadowing programs for wastewater operators. Our maintenance staff shadow an operator while we're sending them through an exam preparation class where we can certify them for their wastewater certifications or drinking water certifications, and bring them up to the operator level so they can apply for those operations positions. The trades have been the hardest part to keep staffed. We did an excellent job as an organization keeping people for their entire careers. We're seeing a lot of retirements because people have reached the end of their careers all at the same time.

We're also thinking about doing shadowing for HVAC. We've also worked to develop a career ladder for staff. It actually starts with a high school diploma and a driver's license, and we can bring that individual in and train them up through the ranks

It was a big effort with the unions, and I'm very excited about it. But, we're doing a lot better with staffing than we were a year ago.

Question – Bill Kiley: What is the extra cost to landfill pellets as opposed to our current system of land application?

Answer – Michael Cole: Six million, and that was just for a six month block of time, the second half of FY26.

Question – Bill Kiley: The redundant metro tunnel, will that increase future borrowing or future rates, or has that already been built into your projections for rate revenue increases?

Answer – Matt Horan: The cost of the tunnel has been layered into our future projections already, and that's a lot of what we're structuring the debt around the ability to afford that tunnel on the water utilities.

Question – Andreae Downs: What would the budget line look like for the additional long-term CSO control plans? How would that appear in the budget? And do we have an idea of how much that might be?

Answer – Matt Horan: We don't know yet. It will appear as the CIP is updated in the wastewater part of the annual current capital improvement program budget.

Question – Bill Kiley: So will the long term debt increase to finance this tunnel by a substantial amount?

Answer – Matt Horan: So it is it's a large project. It's about \$2 billion right now, the estimate. The spending goes out through 2037, and so while it will increase debt service, as we're layering new debt on, we're paying old debt off. It's not like it is going to be \$2 billion more than it is today, but it will incrementally impact our overall outstanding debt.

Additional Comments – Michael Cole: As Matt mentioned, the \$2 billion price tag, the bulk of the spending is going to happen between FY29 and FY33. We anticipate \$1.3 billion of the spending to happen in that first five-year block of time.

Question – Moussa Siri: From the advisory board survey, there are differences in water rates from town to town. MWRA sells water to the towns using one rate. Why is there this difference between towns getting water from the same source? Is that related to how the town manages its infrastructure, or is that related to the amount of water they are using?

Answer – Tom Durkin: Let me take that in two parts. First, how MWRA creates its assessments: We talk determine how much needs to be raised to run the water utility for the next fiscal year. Just for round numbers, let's say it's 300,000,000. Our assessment model is just based on the prior calendar year's use. Typically, Boston Water and Sewer uses about 30% of the water, so Boston's assessment would be 30% of 300,000,000 or 90,000,000, and that's their assessment. And it's the same for Newton and Quincy. We're going to look at what the prior calendar year usage. Some communities are partial users, like my hometown of Peabody. Sometimes they take a lot of water, and sometimes not, there's some volatility in the usage. Droughts and rainy summers impact usage, but it's not how much water you use. It is the share of the total water used. The communities price the water they receive based on volume. Most communities in Massachusetts have a tiered structure. From zero to a hundred cubic feet or HCFs, they're going to have a certain rate, then there'll be typically a second tier, maybe a third tier. Every community has a different rate structure. Setting utility rates is challenging. You don't know how much people are going to use. You don't know what the weather's going to be like. And then you've got your expenses. That typically starts with the MWRA assessment. But they've got their own expenses—labor, materials, debt etc.

With no further questions, Andreae reminded attendees about the upcoming WAC meeting next week at the same time, the Quinapoxet Dam tour with WSCAC.