



Advocacy & Accountability

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Monday, February 24, 2025

Hybrid Meeting

11:00 AM

FINANCE COMMITTEE MEETING SUMMARY

A. Roll Call Attendance

A commencing roll call voted as follows:

Name	Community	Vote
Elena Proakis-Ellis, chair	Melrose	Here (in-person)
John Terry	Needham	Here (remote)
Sam Stivers	Southborough	Here (in-person)

Also in attendance:

Christopher Cole, William Cundiff, Susan Herman, Ian MacKenzie, Mark Mancuso, Rich Raiche, Lou Taverna, Christine Bennett, Nathan Coté, Matthew Romero, Keira Kishnani

B. Welcome and Introduction – Executive Director

Matthew Romero provided the committee with a historical overview of how the composition of MWRA budgets have shifted over time from the early years of the Boston Harbor project with its focus on developing a wastewater treatment methodology. At that time, the Finance Committee was involved in line-by-line budget reviews. Since then, the Finance Committee has taken a less active role in favor of the Advisory Board staff working with MWRA staff to go through the Comments and Recommendation process and propose changes in strategies and approaches as they relate to financial matters.

Mr. Romero offered that with a new Executive Director, new Executive Committee membership, a new Advisory Board appointee to the MWRA Board of Directors in Mr. Taverna, and upcoming large-scale projects, this was a good time to formally reconstitute the Finance Committee and have a high-level discussion on what its focus and aim should be and provide an opportunity for deeper discussion on financial matters.

C. PFY26 Comments & Recommendations Discussion



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Matthew A. Romero
Executive Director



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At the last meeting of the MWRA Board of Directors held on February 12, 2025, the Board approved the proposed fiscal year 2026 (PFY26) Current Expense Budget (CEB) for transmission to the Advisory Board. The MWRA Advisory Board held a public hearing on the CEB and CIP at its February 13, 2025 meeting. Thus kicking off the Advisory Board's budget review for its proposed fiscal year 2026 (PFY26) Comments & Recommendations.

Mr. Romero provided a high-level overview of the PFY26 budget and flagged areas of interest.

- **Staffing levels and vacancy rates** The Advisory Board has concerns about MWRA's understaffing. Despite having a vacancy rate built into their budget, staffing levels are still well below desired levels. The Advisory Board has recommended increasing the vacancy rate adjustment to bring budgets for personnel closer to actual trends, but MWRA has resisted.

As a result, the Authority has increasingly large surpluses in the personnel line items. One idea is to supplement our recommendation for a lower the vacancy adjustment with a recommendation that wage and salary surpluses be put toward the pension fund and fringe benefit surpluses to the Other Post-Employment Benefits (OPEB) fund. This strategy would mirror the strategic debt defeasance program that arose as a compromise that MWRA and the Advisory Board reached overly conservative interest assumptions that yielded surpluses. Since the funds were raised from ratepayers ostensibly for the purposes of paying debt, the surplus funds from this line item are now committed to retire debt and help minimize future rate increases.

- **Year-over-year forecasting:**
John Terry emphasized the need for clearer year-over-year variance data, including a full-year forecast for the current budget, the requested budget for the next year and explanations for material variances. Other committee members echoed interest in viewing multi-year personnel and vacancy trends to determine whether MWRA is using realistic assumptions or "over budgeting" positions they consistently cannot fill.

Mr. Romero described how some departments are facing challenges due to the "silver tsunami" with significant numbers of employees eligible for retirement. The Authority is struggling to fill engineering positions, having general difficulty attracting candidates from external sources.





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Concerns were raised as to whether MWRA was being realistic in its hiring projections and whether ratepayers were being asked to fund "hiring fantasies." The committee discussed the use of surplus funds from various line items, including personnel, as a contingency to absorb impacts from price fluctuations such as the changes in chemical pricing in recent years.

The committee noted that COVID-19 changed a lot of things, so they would like to see what the vacancy rate has been over the last 10 years. Mr. Romero suggested starting with a comparison of this year to the prior year. He noted that functional groups and department structures have changed over time, which could be a challenge for any analysis that looks back over many years.

Committee members requested:

1. Staff compile available data to allow for a deeper department-by-department or functional analysis of historical staff vacancies to see where the biggest challenges lie (e.g. engineering vs. finance vs. operations).
 2. Staff reach out to MWRA to gain more clarity on how personnel surpluses are handled; do they offset deficits in other operations and management categories, flow to operating reserves and how their treatment aligns with the policy of redirecting capital financing surpluses to defeasance.
- **Next Steps / Action Items:**
 - Staff will compile and transmit to the committee members, a detailed spreadsheet of budgeted FTEs, actual FTEs, budgeted amounts and actual amounts for each personnel line item for the past 2 years.
 - Staff will also reach out to the MWRA Finance department to learn how these surpluses are handled in terms of offsetting deficits in other line items or being carried over to future fiscal years as reserves.
 - Members will be polled for their availability to meet to review and discuss this information.

D. Discussion of Ideas for Future Committee Briefings

Mr. Romero asked the committee to offer up topics/issues that they feel warrant a deeper dive due to their potential impact on future rates.





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He started with the Advisory Board Chair, Rich Raiche, who identified three potential issues that could present significant future rate increases.

1.) PFAS/Pellet Disposal Cost Implications

If land application or pellet disposal options become more restrictive due to PFAS regulations, MWRA may need to landfill larger volume of material at a significant expense. Mr. Romero noted that the PFY26 Budget contains a partial year placeholder (e.g. 6-months) of landfilling costs for biosolid disposal. Any shift to full-year landfilling or other disposal requirements could substantially affect rates.

2.) CSOs & Potential Regulatory Mandates

While MWRA has successfully completed major CSO projects, legal or regulatory changes could force further large-scale efforts not currently in the Capital Improvement Program (CIP). The CIP is not budgeting for additional Combined Sewer Overflow (CSO) upgrades, which might add billions in new costs. Committee members expressed interest in learning more about risk mitigation and potential cost scenarios.

3.) New NPDES Permit/Other Environmental Regulations:

Mr. Raiche added that the new Deer Island NPDES permit was a third item for which he would like more understanding of MWRA's risk assessment, suggesting that if the Deer Island permit resembles the draft permit recently issued for Fall River that the Authority could be facing steep financial costs to comply.

4.) Rate Smoothing & Water/Sewer Split:

- **Rates Discussion:** The committee discussed a target rate increase for FY26, noting it is too early in the budget process to determine that number. Mr. Romero noted that initial rate increase projections for FY26 were 3.3% but the MWRA developed the budget with a combined 3.0% rate increase. There was a discussion of past rate slogans such as "2.4 by '24" but acknowledged that it is difficult to sustain that level of rate increase in the face of rising costs.
- **Water vs. Sewer Rate Split:** There was concern about focusing solely on the combined rate increase given the difference between water and sewer rates. With upcoming large capital





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projects (e.g. the Metro Tunnel Redundancy) heavily affecting water costs, the water rate will likely rise faster than the sewer rate.

The Chair, Elena Proakis-Ellis noted that the combined rate isn't so much of a concern as are the rates for each utility that communities consider when setting their own rates. It would be helpful to know what the challenges are on each side to communicate this to her city council and mayor. She also cautioned against putting too much pressure on the rate in a particular year and causing a rate shock in later years. It is important to be able to communicate to our communities what to expect. If higher rates are coming, we need to give people advance notice and explain why. The committee discussed committee size, meeting frequency and next steps. The committee previously contained four members to accommodate all interested members but two had left their respective communities. Mr. Stivers stepped in to fill one of the vacant positions. There was a consensus to keep the membership at an odd number and add more members if two people are interested in joining. Regarding meeting frequency, Mr. Romero proposed that the Committee meet on an as-needed basis.

E. Future Briefings Discussion

Generational Equity – Metro Tunnel Redundancy Project
Pension obligation bonds
Defeasance strategies
System expansion and selling water to lower existing water community assessments.

F. New business

None.

G. Adjournment

A motion to adjourn was put forth. It was moved by Sam Stivers, seconded by John Terry. All members were in favor.

The roll call vote was as follows:

Name	Community	Vote
Elena Proakis-Ellis, chair	Melrose	Yes
John Terry	Needham	Yes
Sam Stivers	Southborough	Yes



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Matthew A. Romero
Executive Director



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Respectfully submitted,

Christine Bennett

Christine Bennett, Research & Policy Analyst

These minutes reflect the discussion of the meeting. The Advisory Board maintains audio recordings of Finance Committee meetings that are available upon request.



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