



# The Green Sheet

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## **AB Recommends MWRA Reserve Rate Stabilization Funds to Ease Future Rate Pressures**

The Advisory Board has recommended that the Authority reserve rate stabilization funds for future years and utilize investment income to close the current year's budget gap.

Due primarily to increased costs and usage of electricity and diesel fuel, the Authority estimated that it faces greater than budgeted spending of \$5.39 million in FY06. MWRA anticipated that non-rate revenue of an estimated \$2.05 million would contribute to closing the budget gap, and proposed that the remaining \$3.34 million needed would come from an additional drawdown from the rate stabilization fund.

Noting that the cost increases experienced during FY06 could be expected to impact future budgets as well, the Advisory Board recommended that the Authority close the budget gap with greater than anticipated investment income and save rate stabilization funds to ease the pace of rate increases in future years. After updating forecasts for spending and non-rate revenue, the Authority is expected to act on the amendment some time in the spring.

### **FY06 Budget Snapshot**

Through December 2005, the Authority reported that spending on the Current Expense budget was just over budget by \$0.77 million. Driven largely by increasing spending on Utilities, Direct Expense spending reached \$2.6 million over budget. Partially offsetting these amounts was lower than budgeted spending on debt service and related capital financing expense of \$1.76 million reflecting slightly lower interest rates on the Authority's variable rate debt than had been assumed in the budget and greater than budgeted receipts of funding from the State Revolving Loan Fund. Spending on the capital program through December came to \$88.9 million, \$9.0 million or 9% below the \$98 million budgeted for the period.

## **AB to Initiate Review of Proposed FY07 CEB March 20**

The proposed budget for FY07 includes \$600.8 million in total expenses, before accounting for an offset of \$19.1 million of bond redemption funds, for a new expense total of \$581.7 million. Non-rate revenues of \$63.2 million leave \$518.5 million to be raised from rate revenues, an increase of \$46.3 million or 9.8%. It is the largest dollar increase since FY 1993. MWRA and the Advisory Board continue to advocate for increased funding for the Debt Service Assistance program.

## **AB Recommends \$8.7 million in Reduction on the Proposed FY07 Capital Improvement Program**

The proposed budget remains within the provisions of the FY04-FY08 capital spending cap, and, at \$1,151 million in future spending, is little changed from the final FY06 CIP. Increases, primarily to the Combined Sewer Overflow Control Program, are partially offset by some lower contract awards and updated cost estimates. The proposed budget also adheres to the spending levels of the next five-year period as set forth in the FY04 CIP, with the exception of \$21 million in additional CSO control programs required by the regulatory agencies in order to reach agreement on the comprehensive CSO control program long in negotiation. Noting that an estimated \$770 million in planned and previously proposed projects had been eliminated from the proposed FY06 CIP, the Advisory Board reemphasized the importance of timely completion, due this July, of the Master Plan. Recommendations also included the request that the scope and levels agreed to in the comprehensive CSO plan be held at the negotiated levels, and that any reductions to the rest of the CIP, including the \$8.7 million recommended in the Advisory Board's Comments, be reallocated exclusively to non-CSO capital initiatives.

