

STATUS OF MWRA BUDGETS
(as of mid-October 1991)

Current Expense Budget

• Preliminary reports put first quarter current expense budget spending at \$50.1 million, or 85% of the amount budgeted for the period.

• Just over \$5 million of the \$8.85 million variance is for lower than expected spending on debt service, including funds for the Commonwealth debt that would have been set aside by now had the state not changed the rules in its budget action last summer.

• The other \$3.8 million is explained by a number of direct expenses that have been less than the budgeted amounts for the period.

. Most notable is \$900,000 that was budgeted for removal of grit, screenings, and scum at Deer Island as part of the cleaning of Digester #3. That project is expected to start up in another month.

. Spending on Wages and Salaries is more than \$1.1 million below what was budgeted, as the number of filled positions dipped to 1590 at the end of July from 1609 just two months earlier. Contributing to the apparent underspending was the decision to distribute budgeted spending evenly throughout the year. But spending can generally be expected to be somewhat less in the first quarter than in subsequent quarters when more step increases and performance reviews are expected to be implemented.

. Utilities account for nearly \$500,000 in less than expected spending, especially spending for electricity and diesel fuel at Deer Island and the pump stations.

. Maintenance spending is over \$700,000 under budget, almost entirely in the Sewerage Division, and particularly at Deer Island and Nut Island and in the Pumping and Collections Departments.

Capital Budget

- Spending during the first quarter of FY92 is close to the \$109.6 million budgeted.
- Accruals have been greater than expected for a number of construction projects on Deer Island, and, in particular, for the diffusers project and the tunnel boring machine.
- Nearly three-quarters of all FY92 capital spending is budgeted for the new Deer Island plant and related facilities. The Authority plans to spend \$581.5 million on 66 capital projects during FY92.

Borrowing

The Authority expects to borrow more than \$1 billion during this year. The first of what may be three issues is planned for the third week of October, for close to \$300 million. The second issue has been projected for some time this winter for \$200 million in variable rate financing that later would be converted to fixed rate debt. A third issue has been proposed for late spring, for \$500 million to \$900 million, depending on the interest rate picture at the time as well as the status of the \$120 million payment to the Commonwealth and the availability of grant and loan funds.

Grants

The Authority has revised its estimates of grant receipts for the next three years downward from \$127.1 million to \$111.5 million. On the one hand, the Authority received more funds in June, just before the close of FY91, than expected. On the other, some funds from the original Section 513 \$100 million grant are not expected to come through until after FY94.

This fall, Congress appropriated additional funds that had been authorized last spring. Referred to as another \$100 million grant, it actually incorporates the final \$21 million of the first \$100 million, making the total of these special grants \$179 million. Furthermore, the monies have been earmarked for secondary treatment construction projects, raising questions about how soon the funds can be drawn down by the Authority. Schedules for construction of secondary reactor and clarifier batteries run from January 1993 through August 1996.

MWRA CURRENT EXPENSE BUDGETS: FY91 AND FY92

Fiscal Year 1991

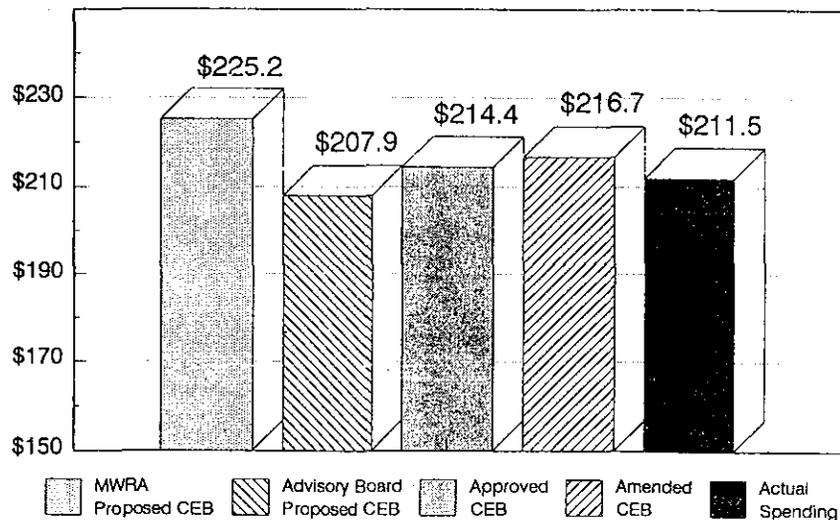
. The Authority ended FY91 with expenses totaling \$211.5 million, within the amended budget of \$216.7 million and below actual revenue received of \$212.8 million. Thus, the Authority did not have to turn to the Operating Reserves, as the amended budget had authorized. This leaves a \$1.3 million surplus.

. Last fall the Authority had realized that it faced a significant budget shortfall, which could have approached \$10 million without concerted action to contain or rebudget expenditures. The budget was amended to curtail some expenses, reallocate funds, and authorize the possible transfer of additional monies from the Operating Reserve. Originally approved at \$214.4 million, the budget was increased to \$216.7 million.

. Actual expenditures remained under budget due to curtailed and postponed program spending, repayment of some insurance costs associated with the Newton water main break, and rescheduling of some \$3 million in Winthrop mitigation payments.

MWRA FY91 CURRENT EXPENSE BUDGET

Millions



Fiscal Year 1992

. This year, the budget has been set at \$272.9 million. Partially offset by \$29.2 million in investment income and other revenues, rate revenue required is \$243.7 million. The largest dollar increases are in the areas of debt service, labor costs, start-up of the pelletizing plant, and interceptor rehabilitation work.

. The Authority estimates that the FY92 Commonwealth budget, finalized after the Board of Directors approved the MWRA budget, could add another \$2.4 million to this year's budget. How these costs will be absorbed is not yet decided.