



STATUS OF MWRA BUDGETS

through January 1999

Focus on the FY99 Current Expense Budget

For the seven months through January 1999, current expense spending came to \$252.5 million or \$4.8 million (1.9%) greater than the \$247.7 million budgeted for the period. **Direct Expense** spending accounted for most of the greater than budgeted spending: \$4.585 million or 4.5% over the \$100.3 million budgeted. **Indirect Expense** accruals were \$147.65 million, \$0.24 million (0.1%) greater than budgeted for the seven-month period.

For the month of January, spending was \$30.1 million, \$1.2 million or 4.2% above the \$28.9 million budgeted. Direct Expense spending was \$15.4 million, \$1.67 million or 12.1% greater than the \$13.76 million budgeted. Indirect Expense accruals were \$14.7 million, or \$0.4 million (2.8%) below the \$15.14 million budgeted for the month.

The over budget variance continued to be driven by greater than budgeted spending for *Residuals processing*. When the FY99 budget was finalized last June, the Authority decided to absorb more risk into the budget for the increases in solids quantities anticipated when Nut Island flows were diverted to Deer Island in July for more effective treatment. Additional costs have since been incurred due to a digester cleaning project on Deer Island, that has resulted in shorter detention times in the digesters and less destruction of solids prior to shipment to Fore River for processing. In addition, a fire at the Fore River plant in December resulted in sludge being processed as cake only and shipped to a landfill, resulting in higher transportation and landfill use charges. The Authority reports that \$4.3 million of the greater than budgeted variance for the year to date is related to sludge processing, and another \$500,000 is related to deferred maintenance from FY98 for the pelletizing plant (due to plant expansion construction delays) and repairs resulting from the December fire.

Spending on *Wages and Salaries* through the month of January was \$47.3 million or \$627,270 (1.3%) below the \$47.9 million budgeted for the period. Filled positions numbered 1,699 with 149 positions vacant; the last time filled positions numbered lower than 1,700 was during 1994. The total number of authorized positions is now 1,848 (including three in the Retirement Program), as compared to 1,907 as of the end of FY97. Linked to the higher vacancy rate is lower spending on Fringe Benefits, now \$111,000 or 2% below the budgeted amount for the year to date.

Overtime spending for the year to date reached \$2.3 million, or 11% greater than the \$2.1 million budgeted for the period. Contributing to higher than budgeted amounts related demands to the startup last summer of the interisland tunnel. However, the overtime variance for the month of January was less than 4% over the budgeted amount, as the Authority worked to stay within the unusually tightly defined budget for the year. New management controls limiting the use of overtime and changes in work rules for coverage are contributing to lower total overtime spending, which, by year end, is expected to be the lowest in more than five years.

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Greater than budgeted January spending was also the result of greater than budgeted accruals for polymer expense at Deer Island, \$200,000 for computer hardware purchases, and \$328,000 in greater than budgeted Professional Services spending reflecting continued payments for the BECo service contract for CTG and STG equipment because of thermal power plant startup delays. Chemicals spending was also greater than budgeted for Nut Island operations (part of the Transport Department): the \$92,000 variance was due to higher levels of spending for hydrogen peroxide and sodium hydroxide for odor control. Also in the Transport Department was \$76,000 in greater than budgeted Professional Services spending for the Framingham Extension Sewer odor control study. In the Waterworks Division, spending on laboratory and testing expense is over budget resulting from a \$42,000 contract to collect and sample borings from the Sudbury Aqueduct, part of the Clean State Initiative-related audits for hazardous materials contamination.

Indirect Expenses were \$240,250 (or 0.1%) greater than budgeted. **Capital Financing** expenses continued to be more than budgeted, even with the savings from the recent refunding and new bond issue due to the impact of the SRF issuance last July at a 20-year rather than the assumed 30-year maturity. Also, **Insurance** expenses were nearly triple the \$92,310 budgeted for January, resulting in a \$60,745 (9%) over budget variance for the year to date.

Current Revenues through January total \$3.8 million. By the end of June, the Authority has projected greater than budgeted revenue and income of nearly \$7.9 million. Projected expenses are expected to be \$4.73 million greater than budget. The Authority anticipates submittal of a budget amendment to the Advisory Board this spring to authorize the use of non-rate revenue to cover the projected greater than budgeted spending through June 30. The Advisory Board will have 30 days to review and comment on the proposed amendment once it is transmitted.

