



STATUS OF MWRA BUDGETS

FY2001 Third Quarter Update (through March 2001)

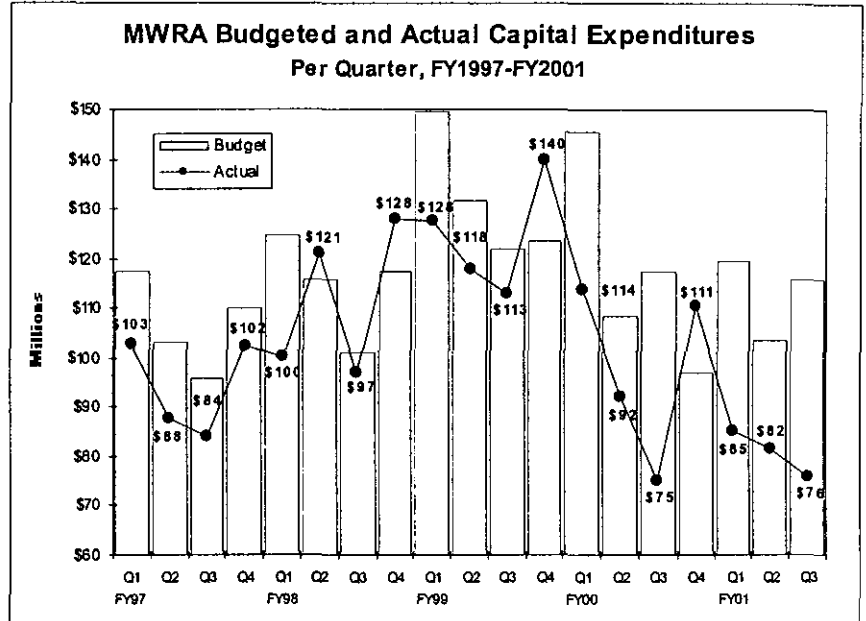
FY01 Capital Improvement Program and Budget

Accrued spending through March 2001 came to \$242.55 million, or \$96.1 million (28%) below the \$338.6 million budgeted for the period (net of contingency fund allowances). Spending for the month of March was just \$11.2 million, 76% under the \$47.7 million budgeted, but included credits of \$6 million. Spending for the third quarter totaled \$76 million. Third quarter spending is usually the lowest of each year; spending levels (including the credits) have been leveling off, and have been between \$75 million and \$92 million for five of the last six quarters.

Slow progress on **Other Wastewater Projects** is the principal reason for the below budgeted spending. Accruals of \$104.9 million are 38% below the \$169.7 million budgeted for the nine-month period. Work on the *Braintree-Weymouth Tunnel* contract remains slow, and with the later than budgeted award of the Intermediate Pump Station contract, spending for these (and related contracts) has totaled \$13.8 million just one-third of the \$39.8 million budgeted for the year to date. Spending on the fifteen projects that currently make up the *CSO Control Program* totaled \$30.2 million, 30% below the \$43.5 million budgeted (even with \$7.2 million in greater than budgeted spending on the Chelsea CSO project). While physical progress continues, reimbursements to Boston and Cambridge for the community-managed projects have been later than assumed in the capital budget. Accruals on the *Residuals* facility expansion project at Fore River totaled \$3.4 million, nearly 60% below the \$8.5 million budgeted. Project completion is currently scheduled for May or June.

Accruals for the **Boston Harbor Project** totaled \$51.2 million or 14% below the \$59.8 million budgeted for the year to date. However, \$6.0 million of the \$8.6 million variance reflects credit payments for the Thermal/Power Plant design and construction contracts. Spending on the Boston Harbor Project continues to be just over one-fifth of all capital spending. The most active contracts have been the outfall tunnel and related startup contracts, the final site completion contract, completion of the Thermal/Power Plant, and the ongoing construction management services.

Spending on **Waterworks** projects totaled \$134.3 million for the year to date, 17% below the \$163.7 million budgeted and 55% of all capital spending. Even though spending on the *Walnut Hill Water Treatment Facility* fell to 38% below budgeted amounts (at \$30.6 million as compared to the \$49.5 million budgeted), spending on the *Norumbega Covered Storage* project was 50% more than the amount budgeted (at \$17.6 million as compared to the \$11.5 million budgeted). Spending on the several contracts that make up the *MetroWest Water Supply Tunnel* project was within 6% of the amount budgeted (\$57.4 million as compared to the \$61.4 million budgeted). Spending on *Distribution and Pumping* projects reached \$17.6 million, 23% below the \$23.1 million budgeted. Distributions under the *Local Water Pipeline Improvement Loan* program totaled \$10.7 million as compared to the \$15 million budgeted for the year to date.



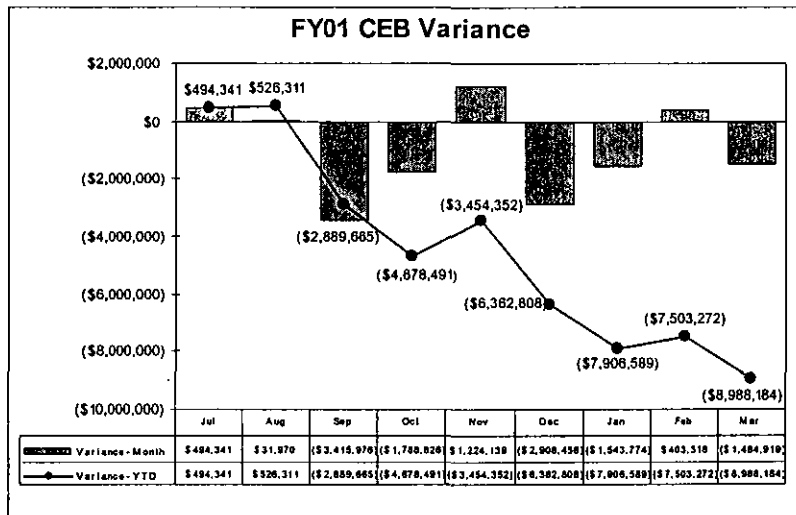
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The **Construction Fund balance** as of the end of March was \$131 million. Construction spending (on a cash basis) for the month was \$31.4 million. The Authority reports that new borrowing is planned later this spring or early summer, after legislative approval of an increase in the bond cap.

FY01 Current Expense Budget

Accrued spending through March 2001 reached \$314.9 million, within 2.8% of the \$323.9 million budgeted for the period. Nearly \$8 million of the \$9 million variance was the result of lower than budgeted spending on *Direct Expenses*, while just over \$1.05 million was the result of lower spending on most categories of *Indirect Expenses*, including capital finance expense. *Revenue* totaled \$335.3 million or \$7.8 million more than the \$327.5 million budgeted. The year to date surplus totals \$16.8 million. However, a recent accrual of \$2.4 million to bring sick leave balances in line with current conditions, has contributed to a revised projection of the year end surplus of \$17.1 million, lower than the previous estimate of \$18.9 million. Spending for the month of March \$33.65 million or 4.2% below the \$35.14 million budgeted.



Lower spending for **Direct Expenses** account for most of the below budgeted spending. Accruals came to \$133.4 million or 5.6% below the \$141.3 million budgeted. The largest variances are due to lower spending for *Wages and Salaries* of \$3.1 million (due to higher than budgeted vacancy rates); lower *Maintenance* expense of \$2.09 million (including \$0.94 million in lower materials and services at Deer Island, as well as inventory drawdown and the delays of several projects now due for completion later this spring); and \$1.8 million in lower year to date spending in the *Residuals Department* (due to lower pricing following the March 1 start of the rebid pelletizing contract, better than expected

efficiencies produced by installation of new processing equipment, and lower than budgeted quantities of sludge being processed). The Authority anticipated much of this lower than budgeted spending to continue through the rest of the fiscal year. Direct Expense spending for the nine-month period is \$1.57 million lower than for the same period one year ago.

Filled positions numbered 1,553 (including three Retirement Board positions), as compared to 1,570 at the end of December and 1,601 at the end of the first quarter, with 198 positions vacant. The Authority eliminated 60 vacant positions during the second quarter, and plans to eliminate at least another 20-25 positions before the end of the fiscal year. The number of filled positions is now 222 below the peak of 1,775 filled positions in March 1997. Fewer employees has also contributed to a nearly 5% variance (\$0.39 million) variance for *Fringe Benefits*.

Indirect Expenses totaled \$181.5 million, just 0.6% below the \$182.55 million budgeted for the period. The largest component of this category is debt service, which came to \$156.66 million, virtually the same level as the \$156.74 million budgeted for the period. Lower than budgeted spending was recorded for insurance expense (\$786,065, or 9% below budget); pension expense (\$1.97 million, or 9% below budget); mitigation expense (\$3.13 million or 3.5% below the \$3.24 million budgeted); and for HEEC expense relating to the cross harbor cable (\$3.4 million, or 17% below the \$4.17 million budgeted), the result of recent negotiations and a credit involving the Operations and Maintenance charge.

Revenue through March was \$335.3 million, 2.4% greater than the \$327.5 million budgeted. Nearly \$5 million of the \$7.8 million surplus is due to greater than budgeted Investment Income, while \$1.5 million is from greater Other User Charges and \$1.3 million is the result of a credit related to the cross harbor cable capacity charge.