



STATUS OF MWRA BUDGETS

FY2001 First Quarter Update (through September 2000)

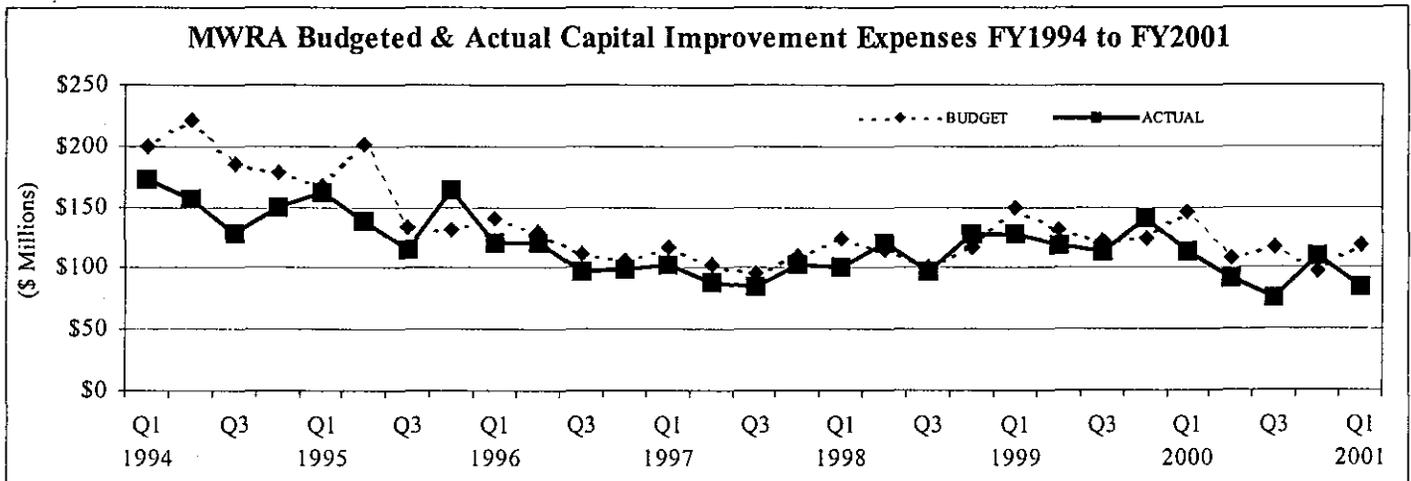
FY01 Capital Improvement Program and Budget

Accrued spending through September 2000 came to \$85.2 million, or \$34.3 million (\$28%) below the \$119.5 million budgeted for the period (net of contingency allowances). Accruals for the month were \$25.0 million, nearly 45% below the \$46 million budgeted. The quarter's budget is slightly greater than quarterly budgets for the rest of the fiscal year and marks a continued decline in annual capital spending from the second peak in FY99 (at \$498.4 million).

Spending on *Waterworks* projects has continued to increase and, at nearly \$47.2 million, is 55% of first quarter accruals. Nearly 40% of all Waterworks spending (\$18.9 million) is for the *MetroWest Water Supply Tunnel project*. Other significant spending during the first quarter was for the *Walnut Hill Water Treatment Plant* (\$9.9 million), the *Norumbega Covered Storage project* (\$5.2 million), *Weston Aqueduct Supply Mains* (\$1.55 million), and the initial disbursements for the new *Local Water Pipeline Improvement Loan Program* (\$5.65 million). The \$4.9 million variance for Waterworks spending for the quarter is the result of \$1 million in lower spending on the Walnut Hill project and \$4.4 million in below budget spending on the MetroWest Tunnel project (lower spending on the Middle Tunnel and East Tunnel segments, and a credit on the owner controlled insurance program contributed to the lower accruals).

The *Boston Harbor Project* now represents just 30% of all capital spending. With completion and start-up of the *effluent outfall tunnel* (\$8.146 million in spending for the quarter) and near completion of *Secondary Battery C* (\$1.56 million was accrued for the quarter), the most active remaining contracts are the *Final Paving and Landscaping project* (\$5.3 million) and *Construction Management services* (\$3.35 million).

Slow progress on *Other Wastewater Projects* has spending below budgeted levels. Work on the Braintree-Weymouth Tunnel shaft remains slow, and with the Intermediate Pump Station yet to be awarded, spending for this group of contracts is now \$2.6 million or 81% below the \$14.3 million budgeted so far this fiscal year. CSO spending totaled \$7.8 million or 56% below the \$18.1 million budgeted for the quarter, primarily due to later than planned reimbursements to Boston and Cambridge for ongoing sewer separation projects. Residuals pelletizing plant expansion spending has also slowed, with a year-to-date variance of \$1.3 million.



The *construction fund balance* as of the end of September stood at \$70 million. FY01 capital spending (net of contingency allowances) is budgeted at \$456.8 million, with the first six months budgeted at \$223.5 million. The Authority issued \$150 million in new variable rate debt in mid-October. Another \$75-85 million is planned for an SRF borrowing, also this fall, with a \$180-200 million bond issue planned for the spring of 2001.

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FY01 Current Expense Budget

Accrued spending through September 2000 reached \$108.2 million, or 2.6% (\$2.9 million) below the \$111.1 million. Capital finance expense continues to grow for debt service payments on outstanding debt of \$4.5 billion (payments up to and through FY01). The Authority budgeted \$54.8 million for capital finance-related expense for the first quarter and \$212 million for the year (net of state debt service assistance).

Direct Expense accruals came to \$45.4 million for the three-month period, 4.8% or \$2.28 million below the \$47.7 million budgeted. Just over 55.6% (\$25.3 million) of all direct expense spending is for *labor-related costs* (as compared to the 59% these expenses have represented in recent years). Below budgeted spending on labor-related costs accounts for \$839,500 of the variance. Filled positions number 1601 with 210 positions vacant. Total authorized positions is 1811, as compared to 1,849 two years ago and 1,890 at the end of the first quarter of FY98, continuing a decline in the number of filled and authorized positions over the last five years. The Authority plans to eliminate 60 vacant positions plus 20 – 25 more later in the fiscal year.

Spending on the *Deer Island* and *pelletizing programs* totaled \$16.7 million for the quarter, 2.1% (or \$0.356 million) below budget. The largest contributors to below budgeted spending were lower sludge quantities and reduced use of natural gas and polymer to process each ton of sludge, particularly during September. Lower spending has been partially offset by greater than budgeted accruals for grit and screenings removal and by landfill disposal fees, mostly during the summer, when much of the sludge was processed only to the sludge cake stage and landfilled.

Overtime spending for the quarter was \$0.93 million or 3.7 less than the \$0.97 million budgeted. By comparison, FY00 first quarter spending was \$1.11 million. Overtime expense has been lower at Deer Island (11% below budget), and in the Transport group (within 1% of the amount budgeted). Overtime spending in Waterworks Operations is also below budgeted amounts, by more than 4%.

Chemicals spending for the quarter was \$2.7 million (3.7% greater than the \$2.6 million budgeted). However, during September chemicals spending was barely 55% of the amount budgeted, creating a \$387,600 variance for the period, partially the result of lower sodium hypochlorite spending at Deer Island (linked to outfall tunnel started up). **Utilities** spending also fell below budgeted amounts, for a \$345,000 variance (19%) for the month, due in part to lower utilization rates for gas and electricity in the Residuals department and to a later delivery of diesel fuel at Deer Island.

Maintenance spending is now \$1.35 million below the budgeted amounts, due largely to drawdowns of the warehouse inventory, which have resulted in a year to date credit of \$551,000. Also contributing to the variance was the later than planned start of a pipeline project being managed by the Transport department (\$503,740), below budgeted spending on several services contracts at Deer Island (\$237,720), and slower pelletizing plant construction which has changed maintenance schedules for the Residuals program (\$172,810).

Indirect Expenses totaled \$62.8 million for the quarter, or 1% below the \$63.44 million budgeted, for a variance of \$613,520. **Debt service** costs, at \$54.4 million (as compared to the \$54.8 million budgeted), were the major contributor to the variance, with spending on SRF and subordinate debt running below budgeted amounts. Accruals for the **insurance program, pension expense, and the HEEC charge** (for costs associated with the provision of electricity to Deer Island through the cross harbor cable) all were under budget for the quarter.

