STATUS OF MWRA BUDGETS

FY2002 Update (through January 2002)

Focus on the FY2002 Current Expense Budget

For the seven months through January 2002, current expense spending came to $261.14 million or $4.13 (1.6%) below the $265.27 million budgeted for the period. **Direct Expense** spending accounted for most of the lower than budgeted spending: $3.84 million (3.7%) below the $104.86 million budgeted. **Indirect Expense** accruals were $160.13 million, $0.28 million (0.2%) below the $160.41 million budgeted. Although Direct Expense spending continues to decline and is another $2 million below spending for the same period one year ago, Indirect Expense spending is rising, most notably for debt service. Debt service expense for the seven-month period was $140.6 million or $18.8 million (15%) greater than one year ago.

For the month of January, spending was $34.37 million, $0.36 million (1.0%) below the $34.73 million budgeted. Direct Expense spending was $13.3 million, $0.53 million (3.8%) below the $13.88 million budgeted. Indirect Expense accruals were $21.01 million or $0.17 million (0.8%) greater than the budgeted amount. The Authority has issued preliminary projections of year-end spending and revenues that put the potential surplus between $2.53 and $6.53 million, depending on estimates of debt service assistance receipts. Even though the Authority continues to reduce expenses, most notably direct expenses, the Authority estimates a $7.5 million shortfall in investment income, the result of falling interest rates and fund balances.

The largest variance for the year to date is for ***Personnel-related costs***: at $58.5 million, spending is $1.55 million (2.6%) below the $60 million budgeted for the period. Filled positions remained unchanged from December at 1,520 as compared to 1,563 at this time one year ago. The number of filled positions is 255 positions below the peak of 1,775 five years ago. Participation in the early retirement program is expected to result in further reductions between now and the end of June. Spending on *Wages and Salaries, Overtime*, and *Fringe Benefits* is below budgeted amounts. However, *Workers' Compensation* accruals remain over budget at $697,000 (as compared to the $554,000 budgeted), although the variance closed measurably during January.

The second largest Direct Expense variance is for ***Other Services***, which totaled $13.8 million, $1.4 million (9%) below the budgeted amount of $15.15 million. Much of the variance continues to be due to late completion of the new maintenance building in Chelsea, resulting in a delayed start for *lease* payments.

Maintenance spending has increased during the month of January, with year to date spending now at $8.1 million, within $1 million of the $9.1 million budgeted. Accruals picked up at Deer Island, especially for *plant and machinery services*. However, other delays relating to implementation of maintenance projects at Deer Island and delays in the purchase of *plant and machinery equipment and materials* continue to contribute to below budgeted spending. Underspending in the Field Operations department for the replacement of wastewater meters and purchase of SCADA equipment and plant and machinery services also contributed to the year to date variance. The Authority estimates that by the end of June underspending on Maintenance expense will close to approximately $500,000 due to less than budgeted spending for plant and machinery materials and services at Deer Island and within the Field Operations Department.

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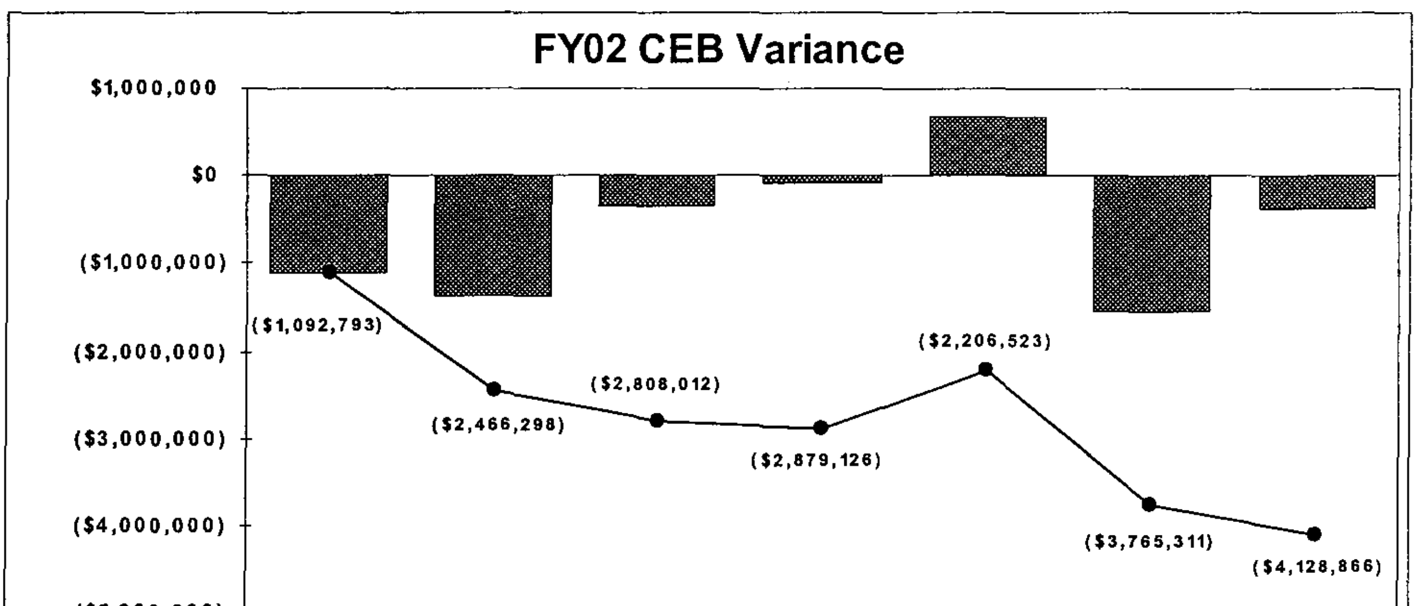
Greater than budgeted spending continues to occur for both Chemicals and Utilities. ***Chemicals*** spending through January totaled $4.33 million, 21.5% greater than the $3.6 million budgeted. Most of the overspending continues to occur at Deer Island where *sodium hypochlorite, polymer, sodium hydroxide* and *activated carbon* expense resulted in chemicals spending that was 42% greater than budgeted for the year to date. Despite lower than budgeted wastewater flows, the Authority anticipates the higher spending levels to continue through the spring, with estimated agency wide year-end spending at $625,000 greater than budgeted.

Utilities spending reached $10.09 million, $162,000 (1.6%) greater than the $9.93 million budgeted. This variance is expected to close by June 30, due primarily to the continuing benefits of lower unit pricing at Deer Island where a new *electricity* supply contract went into effect November 1st. *Diesel fuel* costs, now $242,000 below budget, will also contribute to year-end underspending for all utilities expenses of an estimated $847,000.

Professional Services spending totaled just under $4.0 million, $466,000 (10.4%) below the $4.46 million budgeted. The variance should close somewhat as the year progresses, as *security* expense increases and later than budgeted billings for *harbor and outfall research* catch up to budget assumptions.

<u>**Indirect Expenses**</u> totaled $160.1 million, or $0.285 million (0.2%) below the budgeted amount of $160.4 million. The largest component of this category is ***Debt Service***, which came to $140.6 million, or $1.54 million (1.1%) below the $142.1 million budgeted. Debt service spending is nearly $20 million greater than for the same period one year ago. The Authority plans a new borrowing of $180 million in early March. ***Mitigation*** payments to the City of Quincy total $1.63 million for the year to date, $1.23 million more than the $0.4 million budgeted for the period.

<u>**Revenue**</u> through January totaled $260.3 million, or $360,000 (0.1%) more than the $259.95 million budgeted. Greater than budgeted revenues are the result of unanticipated revenue from the *City of Cambridge* due to the temporary shutdown of its water treatment plant ($2.1 million), earlier than budgeted receipt of permit fees ($193,000), receipt of more than budgeted ***user charges*** from some other service communities ($300,000), and higher than budgeted ***miscellaneous revenue*** ($458,000). However, ***Investment Income*** continues to decline, and is now $3.5 million (15%) below budget, with staff projecting a $7.5 million shortfall by the end of June. Rate revenue is nearly 86% of all budgeted income (net of debt service assistance).



	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Variance - Month	($1,092,793)	($1,373,505)	($341,714)	($71,114)	$672,603	($1,558,788)	($363,555)
Variance - YTD	($1,092,793)	($2,466,298)	($2,808,012)	($2,879,126)	($2,206,523)	($3,765,311)	($4,128,866)