



STATUS OF MWRA BUDGETS

FY2003 Update (through January/February 2003)

FY03 Capital Improvement Program and Budget

Accrued spending through February came to \$216.6 million, 3% (or \$6.8 million) more than the \$209.8 million budgeted for the period (net of contingency fund allowances. Accruals for the month of February came to \$20.1 million, 12% (or \$2.8 million) below the \$22.9 million budgeted. Slower spending during the winter months has helped to close greater than budgeted spending through December when accruals were \$20 million more than the year to date budget. Spending had been pushed up by a \$25.8 million claim settlement payment related to the effluent outfall tunnel, which is covered by the \$37.3 million FY03 contingency budget.

Nearly 60% of all spending this fiscal year has been for **Waterworks projects**. Spending reached almost \$130 million, \$7.1 million (or 5%) more than the \$122.6 million budgeted. Accruals for the *Walnut Hill Water Treatment Plant* reached \$51.5 million, \$7.4 million (16%) more than budgeted primarily due to faster than budgeted progress on three of the contracts. The *MetroWest Water Supply Tunnel* project accounted for \$24.6 million in spending, \$1.26 million (5%) more than the amount budgeted for the period due primarily to greater than planned costs for the owner controlled insurance program, partially offset by delays to the testing and disinfection design and construction contracts. Spending on the *Norumbega Covered Storage* project came to \$17.9 million, \$2.85 million (18%) more than budgeted, due to faster than budgeted contractor progress. Distributions under the *Local Water Pipeline Improvement Loan Program* totaled \$10.5 million, 9% below the budgeted amount; small additional awards continued in February. The next largest year to date accrual was \$8.2 million for the *Weston Aqueduct Supply Mains project*, 14% more than the \$7.1 million budgeted, primarily due to faster than planned progress on the WASM 4 and Western Avenue project; spending was partially offset by a slower start for the Boston WASM 1 & 2 contract. This contract was approved in January at \$7.3 million, \$2.8 million less than budgeted. These five projects are among the top seven projects in FY03, with budgeted spending of \$146.6 million, nearly half of all budgeted spending.

Spending on **Wastewater projects** totaled \$84.1 million for the eight-month period, \$6.2 million (7%) more than the \$77.9 million budgeted. Year to date spending for the *Boston Harbor Project* came to \$30.1 million and included the \$25.8 million settlement of the effluent outfall tunnel claim (covered by the contingency allowance). All other *Wastewater project* spending came to \$54 million, 25% below the \$71.6 million budgeted. Later than budgeted spending on the *Braintree-Weymouth Relief Facilities* project of \$8.75 million (\$21.3 million as compared to the \$30 million budgeted; staff report delays for the tunnel contract due to problems involving the tunnel wastewater treatment clarifiers) and the *Wastewater Meter System Equipment Replacement program* (where a later than planned start has resulted in a \$1.6 million variance) have contributed to the below budget variance. Later than budgeted distributions under the community managed projects of the *CSO Control Program* have also resulted in \$11.9 million of lower accruals than budgeted (\$12.3 million as compared to the \$24.2 million budgeted). Distributions under the *I/I Local Financial Assistance program* continued with \$7.1 million disbursed in February, bringing the year to date amount to \$11.3 million, more than three times the \$3.7 million budgeted for the period.

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FY03 Current Expense Budget

Accrued spending through February reached \$329.4 million, less than 1% (\$1.2 million) below the \$330.6 million budgeted for the period. In January, the Authority restated the budget totals and cash flows for each month, to reflect the loss of \$47.1 million in state debt service assistance and the changes to the budget to meet the shortfall.

On December 27, the Board of Directors voted on a plan to close the \$47.175 million shortfall: one-third (\$15.725 million) to be raised through a mid-year rate increase; another one-third from accelerated use of rate stabilization reserves; and the final third from reduced expenses. Of the \$15.725 million in reduced expenses, \$3.5 million is to come from lower Direct Expense spending, \$0.7 million from revised Indirect Expense spending, and \$11.5 million from lower debt service expenses and related offsets.

FY03 Approved and Amended Budget					
	FY03 Approved	FY03 Amended	Difference	Thru February	Remaining
Revenue & Income					
Debt Service Assistance	\$47,175,000	\$0	(\$47,175,000)		
Rate Revenue	400,934,355	416,659,355	15,725,000		
Other User Charges	8,195,000	8,195,000	0		
Other Revenue	3,799,480	3,799,480	0		
Rate Stabilization & Bond Redemption	13,300,000	29,025,000	15,725,000		
Investment Income	29,443,000	29,443,000	0		
Total Revenue & Income	\$502,846,835	\$487,121,835	(\$15,725,000)	\$317,755,066	\$169,366,769
Direct Expenses	174,215,772	170,713,000	(3,502,772)	113,787,591	56,925,409
Indirect Expenses	30,684,945	29,984,945	(700,000)	20,967,443	9,017,502
Capital Financing	297,940,468	286,415,468	(11,525,000)	194,622,949	91,792,519
Total Expenses	\$502,841,185	\$487,113,413	(\$15,727,772)	\$329,377,983	\$157,735,430

The lower **Direct Expense** spending goal is to be reached by tightening expenses by \$8.1 million, partially offset by unbudgeted accruals and spending projected to total \$4.56 million by the end of June. Through February, spending reached \$113.8 million, or 1% (\$1.16 million) more than the revised budget for the period. Spending was pushed upward by the nearly \$1 million accrual for *Fringe Benefits* (with a large accrual for *Unemployment Insurance*), as well as continued greater than budgeted accruals for *Workers' Compensation* expense. *Chemicals* spending totaled \$5.1 million for the year to date, nearly \$200,000 below budgeted amounts, as use of sodium hypochlorite and nitrogen at Deer Island declined during the winter months. *Utilities* spending reached \$10.3 million or \$442,690 (4.5%) more than the revised budget, due, in part, to less than budgeted gas generation to produce electricity at Deer Island, which in turn required an increase in purchased electricity. *Maintenance* expense totaled \$10.7 million for the year to date, \$230,330 more than budgeted in part due to the purchase of new inventory items and unbudgeted security related equipment and materials. Some accruals for items initiated during FY02 also pushed spending higher in FY03 as compared to the year earlier.

Indirect Expenses totaled \$215.6 million, or \$2.35 million (1.1%) below budget, due primarily to lower *Capital Financing* expense resulting from savings on new debt issues, swap income, and refundings in August, September and December.

Revenue through February totaled \$317.75 million, as the Authority began to accrue increased *rate revenue* and *rate stabilization fund* income. *Investment Income* totaled \$23.2 million, \$3 million more than budgeted due primarily to one-time gains from the sale of securities that were called or sold prior to maturity. However, by year end, the Authority anticipates that lower than budgeted fund balances for the remainder of the year will result in lower interest income on remaining investments.