



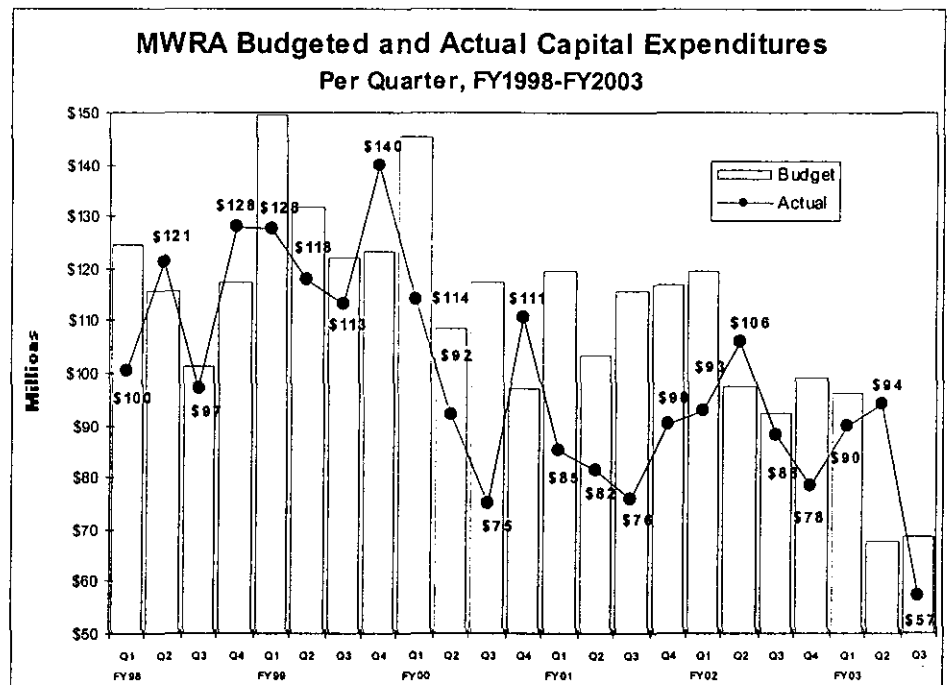
STATUS OF MWRA BUDGETS

FY2003 Third Quarter Update (through March 2003)

FY03 Capital Improvement Program and Budget

Accrued capital spending through March 2003 came to \$241.3 million, or 3% (\$8.67 million) over the \$232.67 million budgeted for the nine-month period (net of contingency fund allowances). Accruals for the month of March totaled \$24.7 million, \$1.83 million or 7% more than the \$22.9 million budgeted. Accruals for the third quarter were \$57 million, the lowest quarterly amount in at least ten years. The Authority currently projects fourth quarter spending of \$90 million.

Spending on **Wastewater projects** totaled \$16.2 million in March, nearly double the \$8.4 million accrued for *Waterworks projects*. Distributions for several community managed *CSO projects* plus ongoing work on several other *CSO projects* accounted for nearly \$14 million in wastewater project spending in March. Year to date spending on the *CSO program* now totals \$26.3 million. Spending through March on all *Wastewater projects* reached \$100.35 million and includes the \$25.8 million settlement of the effluent outfall tunnel claim (which is covered by the contingency allowance). *Boston Harbor Project* spending in FY03 now totals \$30.2 million. All other *Wastewater project* spending came to \$70.16 million. Later than



budgeted spending on the *Braintree-Weymouth Relief Facilities project* (\$22.76 million, or \$10 million or 30% below the amount budgeted) has contributed to the below budget variance. Slow progress on construction of the Exelon power plant in Weymouth has delayed Authority access to the site needed to move forward with the next Braintree-Weymouth contract. Also, a later than planned start of the *Wastewater Meter System Equipment Replacement program* has resulted in a \$1.8 million variance. Somewhat offsetting the below budgeted spending for other wastewater projects are the \$11.3 million in distributions under the *I/I Local Financial Assistance program*, \$7.1 million more than the \$4.2 million budgeted for the period.

Spending on **Waterworks projects** continues to increase; at \$138.1 million Waterworks spending is 58% of all year to date accruals (1% greater than the amount budgeted for the period). The *Walnut Hill Water Treatment Plant* (\$56.3 million), the *MetroWest Water Supply Tunnel* (\$26.0 million), and the *Norumbega Covered Storage project* (\$18.2 million) account for 73% of all Waterworks spending for the year to date.

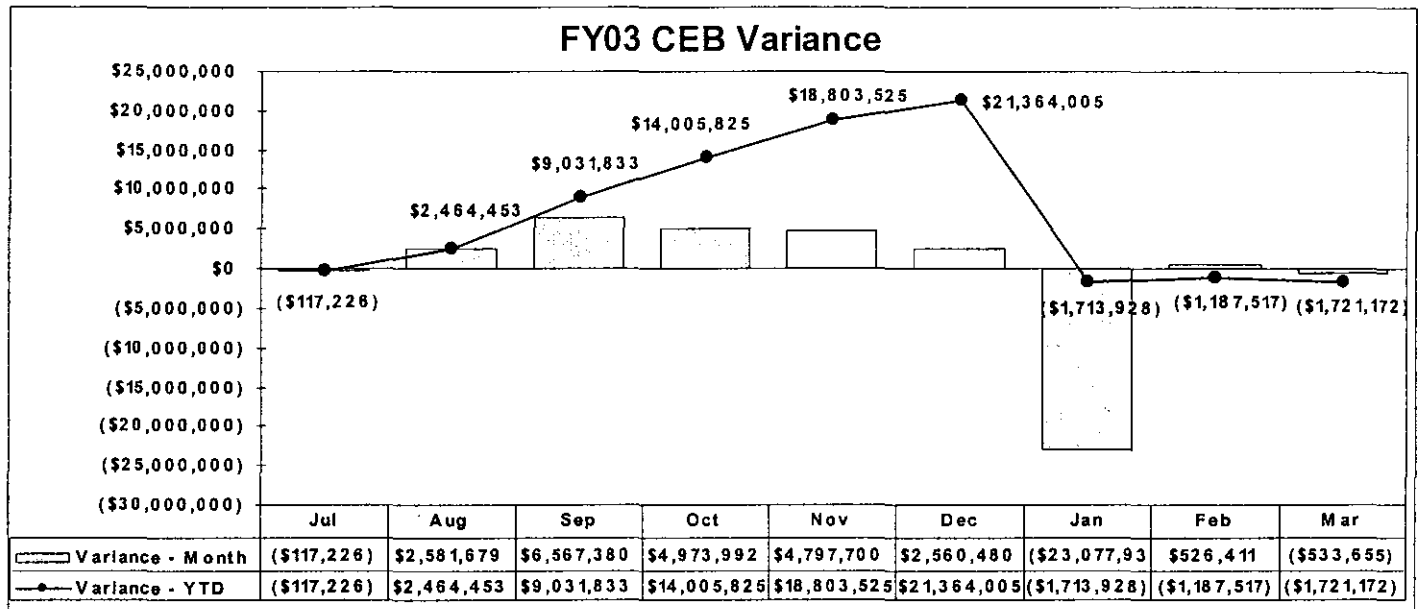
The **Construction Fund balance** as of the end of March stood at \$135.7 million. March cash spending was \$24.9 million; cash spending for the quarter was \$69.5 million. The Authority plans a small SRF borrowing later this spring; the next bond issue is planned for the fall.

Joseph E. Favaloro, Executive Director

FY03 Current Expense Budget

Through March, current expense accruals reached \$366.95 million, less than 1% (\$1.72 million) below the \$368.67 million budgeted for the period. In January, the Authority restated the budget total and cash flows to reflect the loss of \$47.175 million in state debt service assistance and the changes to the budget to meet the shortfall.

In February, the Authority's Board of Directors approved an amendment to the FY03 CEB detailing the plan to close the \$47.175 million shortfall initially approved in December: 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 to come 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.



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 March, spending reached \$127.13 million or 0.8% (\$1.038 million) more than the revised budget for the period. Spending for the month of March was \$13.34 million or 0.9% less than the \$13.47 million budgeted. The Authority anticipates that the variance will close in the next three months. However, several categories of spending were over the budgeted amounts for the month of March. *Workers' Compensation* expense rose again in March bringing year to date accruals within 3% of the revised year's budget. *Utilities* spending (particularly electricity) was 31% above the \$1.34 million budgeted for March. Year to date spending is 8% above the year to date budget and within 20% of the year's revised budget with a quarter of the year left. Under *Other Services*, space/lease costs continue to run over the budgeted amounts, more than \$135,000 for the month of March and \$263,500 for the year to date.

Indirect Expenses totaled \$239.8 million or \$2.76 million (1.1%) below the revised budget, due primarily to lower *Capital Financing* expense resulting from savings on new debt issues, swap income, and refundings in August, September and December. However, *Insurance* expense continues to rise; year to date accruals are nearly \$720,000 over the budgeted amounts for the period, and 35% over the \$1.19 million budgeted for the year.

Revenue through March totaled \$357.7 million (\$3.45 million or 1% greater than budgeted), as the Authority began to accrue increased *rate revenue* and *rate stabilization fund income*. *Investment Income* totaled \$25.15 million, \$2.8 million more than budgeted due primarily to one-time gains from the sale of securities that were called or sold prior to maturity. However, March receipts were 12% below budget, and, 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.