STATUS OF MWRA BUDGETS

FY2003 Update (through April 2003)

Focus on the FY 2003 Current Expense Budget

For the ten months through April 2003, current expense spending came to $404.5 million or $2.1 million (0.5%) below the $406.6 million budgeted for the period. *Direct Expense* spending continued above the budgeted amount: at $140.5 million, spending is $1.2 million (0.9%) more than the $139.3 million budgeted. *Indirect Expense* accruals reached $264.05 million, $3.33 million (1.2%) below the $267.4 million budgeted for the period.

For the month of April, spending was $37.6 million, $0.37 million (1%) below the nearly $38 million budgeted. *Direct Expense* spending was $13.36 million, nearly $0.2 million (1.5%) more than the $13.16 million budgeted. *Indirect Expense* accruals came to $24.23 million ($0.57 million or 2.3%) below the $24.8 million budgeted for the month.

Direct Expenses. Contributing to the greater than budgeted variances have been claims payments and increased accruals to cover updated estimates of *Workers' Compensation* liability, now just over $1 million more than the amended budget, additional *Unemployment Insurance* payments (part of *Fringe Benefits*) of nearly $1 million more than budgeted, and higher *Utilities* expense of just over $1 million more than budgeted for the year to date.

The largest variance for the year to date has been for ***Personnel*** related costs: $1.15 million in greater than budgeted spending for the category that includes *Wages and Salaries, Overtime, Fringe Benefits*, and *Workers' Compensation*. Despite the fact that year to date spending on all *Personnel* costs, at $80.9 million, is lower than the $83 million for the same period a year ago, sharp increases in *Unemployment Insurance* and *Workers' Compensation* reserves pushed spending to nearly $2 million over the budgeted amounts for these two categories. Partially offsetting these expenses were $0.6 million in lower than budgeted *Wages and Salaries* expense and $0.23 million in lower than budgeted *Overtime* expense. Staffing levels have dropped to 1,317 as of the end of April, 143 fewer than the 1,460 of one year ago.

The second largest variance has been for ***Utilities*** expense. Spending reached $13.52 million, $1.04 million (8.3%) more than the $12.48 million in the amended budget, primarily for greater than budgeted spending of $0.6 million on *Electricity* and nearly $0.2 million more than budgeted for *Diesel Fuel*. Costs for *Electricity* at Deer Island have been greater than budgeted due to higher variable rates in recent months and the return to more expensive default service following the recent close of the supply contract and higher than default service bids on a new contract. The Authority is in the process of seeking a second rebid of the next supply contract for Deer Island. *Diesel Fuel* expense has been greater than budgeted for the Field Operations Department, reflecting greater use and higher prices this winter.

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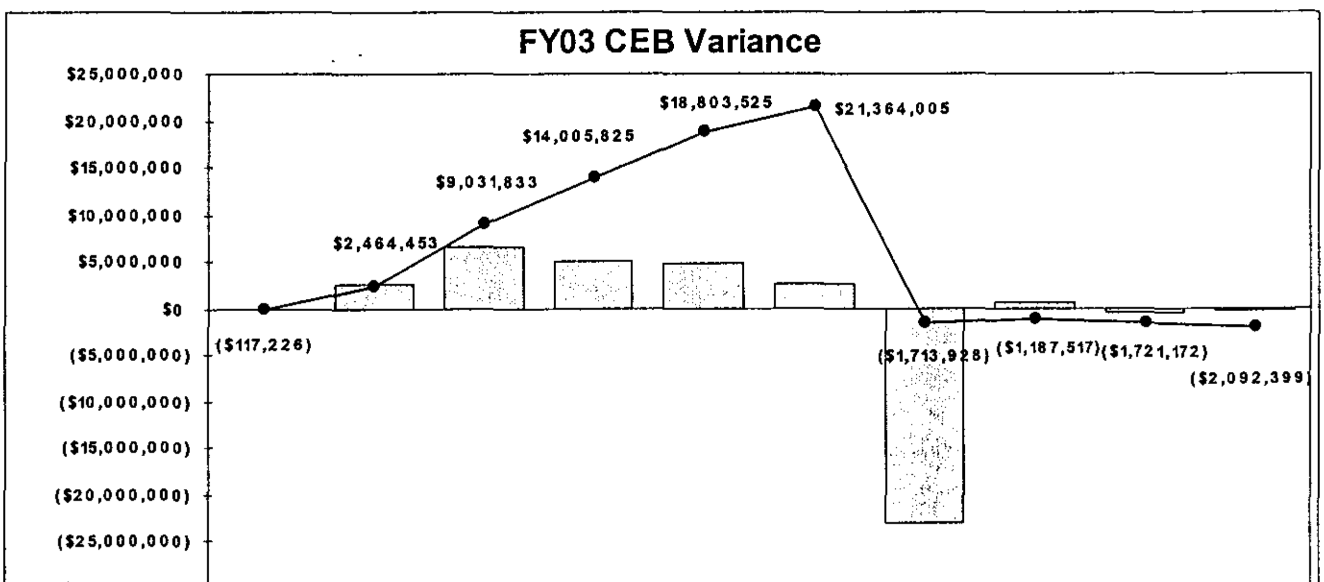
Chemicals spending came to \$5.9 million for the year to date, \$0.38 million or 6.2% below the \$6.25 million budgeted. The Authority reports that less than budgeted spending on *Sodium Hypochlorite* at Deer Island of nearly \$0.25 million was due to the very cold winter weather, lower BOD demand, more precise metering and dosing control, and timing of deliveries. Lower than budgeted spending of the same chemical at facilities in the Field Operations Department was due to lower than budgeted unit price.

Other Materials spending totaled \$2.24 million or \$0.32 million (12.6%) below the \$2.56 million budgeted for the year to date. The Authority reports that underspending is the result of a general slow-down in planned purchases of *Computer Software, Office and Lab Supplies, Equipment and Furniture*, and *Other Materials*; *Vehicle Purchases* were eliminated earlier this year as the Authority took a number of steps to respond to the elimination of debt service assistance funding.

<u>Indirect Expenses</u> totaled \$264.05 million for the year to date, 1.2% or \$3.33 million below the \$267.38 million budgeted. The largest component of this category of spending is ***Debt Service***, which came to \$238.0 million or \$4.2 million (1.7%) below the \$242.2 million budgeted for the period, due primarily to savings on new debt issues and refundings completed in August, September and December 2002. Partially offsetting these lower expenditures was nearly \$0.85 million in greater than budgeted spending on ***Insurance*** expense, due to greater than anticipated claims payments and accruals.

<u>Revenue</u> through April totaled \$399.2 million, or \$3.48 million (0.9%) more than the \$395.73 million budgeted for the period. The Authority reports that the variance is primarily the result of \$2.51 million in greater than budgeted ***Investment Income*** due to the one-time gains from the sale of securities that were called or sold prior to maturity as part of the recent debt refundings and defeasance transaction. In addition, several other categories of ***Non-Rate Revenue*** and ***Other User Charges*** contributed to year to date receipts: \$500,000 for receipt of FY02 *user charges from Clinton*; \$323,000 for *credits* for Deer Island's use of digester gas as a reusable energy source; and \$160,000 for the *Fore River Railroad management fee.*



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Variance - Month	(\$117,226)	\$2,581,679	\$6,587,380	\$4,973,992	\$4,797,700	\$2,560,480	(\$23,077,933)	\$526,411	(\$533,655)	(\$371,227)
Variance - YTD	(\$117,226)	\$2,464,453	\$9,031,833	\$14,005,825	\$18,803,525	\$21,364,005	(\$1,713,928)	(\$1,187,517)	(\$1,721,172)	(\$2,092,399)