

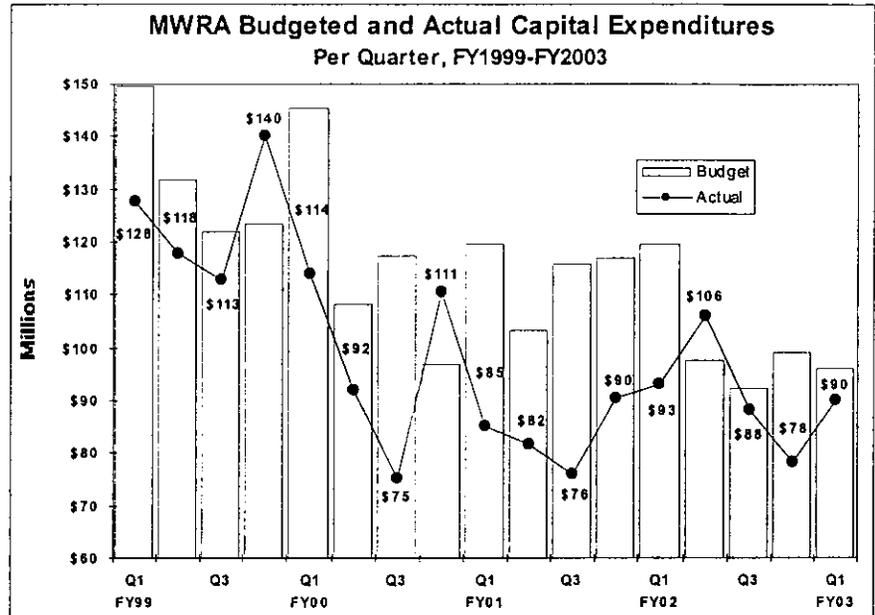


STATUS OF MWRA BUDGETS

FY2003 First Quarter Update (through September 2002)

FY03 Capital Improvement Program and Budget

Accrued spending through September 2002 came to \$90 million, or just under \$6 million (6%) below the nearly \$96 million budgeted for the three-month period (net of contingency fund allowances). Even though this year's capital budget of \$303.4 million is more than \$100 million below FY02's \$410 million; spending for the quarter was within \$3 million of the \$93 million spent during the first quarter of FY02.



Spending on **Waterworks projects** continues to increase, and, at \$60.1 million, is fully

two-thirds of all first quarter accruals and 14% greater than the \$52.4 million budgeted. The *Walnut Hill Water Treatment Plant* (\$20.4 million), the *MetroWest Water Supply Tunnel* (\$11.5 million), and the *Norumbega Covered Storage* project (\$10.6 million) account for 70% of all Waterworks spending for the quarter. Disbursements under the *Local Water Pipeline Improvement Program* reached \$7.5 million, the fourth largest project expenditure for the period.

Spending on **Wastewater projects** totaled \$29.1 million for the quarter, 25% below the \$39 million budgeted. Three quarters of the \$10 million variance was the result of slower than budgeted spending on the three largest wastewater programs. Spending on the *Braintree-Weymouth Tunnel and related contracts* came to \$11.4 million (\$2.6 million below the \$14.0 million budgeted). The *CSO Program* accounted for \$10.9 million of the quarter's spending (\$2.5 million below the \$13.4 million budgeted). *Deer Island Treatment contracts*, including the remaining work on the *Boston Harbor Project*, came to \$3.4 million (\$2.7 million below the \$6.1 million budgeted, with spending on resolving outfall tunnel claims issues slowing as agreement neared); spending on *Deer Island Plant Optimization* and on the *Deer Island Asset Management Program* came to \$0.8 million, 43% below the \$1.4 million budgeted for the quarter.

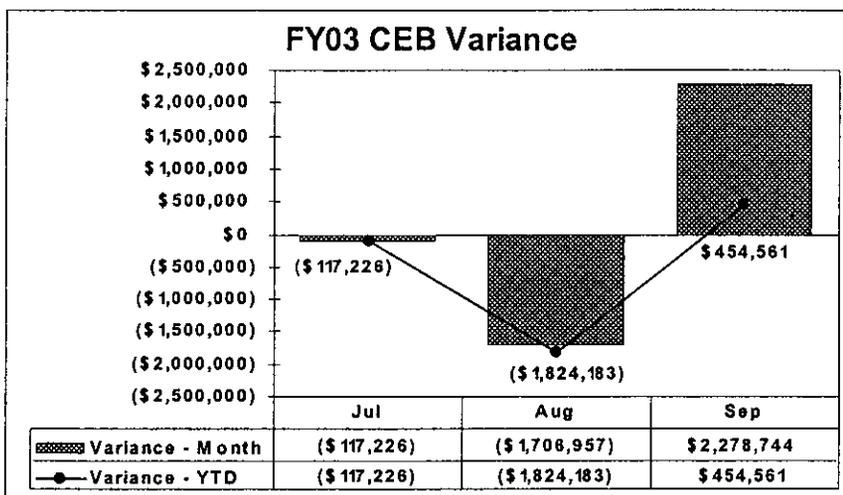
The **Construction Fund Balance** as of the end of September stood at \$63.8 million. September cash spending was \$28.7 million; cash spending for the quarter was \$91.2 million. The Authority planned additional SRF borrowing in October, and a refunding and new money issue in November.

Joseph E. Favaloro, Executive Director

FY03 Current Expense Budget

Accrued spending through September 2002 reached \$117.95 million or 0.4% (\$0.45 million) above the \$117.5 million budgeted for the quarter.

Direct Expense accruals came to \$43.77 million for the three-month period, 0.5% or \$0.2 million below the \$43.975 million budgeted. Spending was close to the \$43.5 million of the first quarter of FY02. Despite the reduction of 161 filled positions and *personnel-related* accruals of \$1.38 million below the amounts of last year, growing spending for *Chemicals, Maintenance, Professional Services* and *Other Services* has resulted in total direct expense spending that is little changed from the previous year.



Just over 55% (\$24.2 million) of all direct expense spending is for *labor-related costs*, lower than in recent years. Lower spending on *wages and overtime*, has been somewhat offset by increasing costs for *health insurance* and *workers' compensation* expense. Filled positions as of the end of September numbered 1,371 as compared to 1,532 one year ago and 1,601 two years ago. Total authorized positions stood at 1,529 as compared to the 1,660 of one year ago and 1,811 of two years ago, continuing a decline in the number of filled and authorized positions over the last several years.

Chemicals spending came to \$2.64 million, \$0.77 million or 41% greater than the amount budgeted for the period. Spending is also \$700,000 greater than for the same period last year, reflecting sharply higher accruals for *sodium hypochlorite, polymer* and *hydrogen peroxide* at Deer Island.

Maintenance spending totaled \$4.2 million, nearly \$0.3 million (7%) greater than the \$3.9 million budgeted. Other than the unbudgeted *warehouse inventory* charge, greater than budgeted spending on *plant and machinery materials, HVAC materials, and electrical materials and services*, particularly at Deer Island, have contributed to the first quarter pattern of spending.

Professional Services spending totaled \$2.18 million for the first quarter, 9% greater than the nearly \$2 million budgeted. The largest area of spending was \$1.44 million for the *outfall monitoring program*, more than double the amount accrued for the same period one year ago.

Other Services spending reached \$6.2 million, just under the \$6.23 million budgeted for the quarter. Greater than budgeted spending for *police details* and *space/lease* expense contributed to the increased spending, as did greater than budgeted accruals for *telephone* expense.

Indirect Expenses totaled \$74.2 million for the quarter, nearly 1% more than the \$73.5 million budgeted. **Debt Service** costs, at \$66.5 million, were 1% (\$0.66 million) greater than the \$65.8 million budgeted. Debt service expense is net of *state debt service assistance receipts*, which the Authority now expects to be \$14.3 million below the amount assumed in the final FY03 budget. A **budget amendment** has been submitted to the Advisory Board for review and comment. The Authority is proposing to reduce spending by nearly \$8.7 million and augment revenue and reserves drawdowns by \$5.6 million to match the \$14.3 million shortfall. Year to date **Revenue** accruals stand at \$115.26 million or \$1.3 million more than the amount assumed in the final FY03 budget.