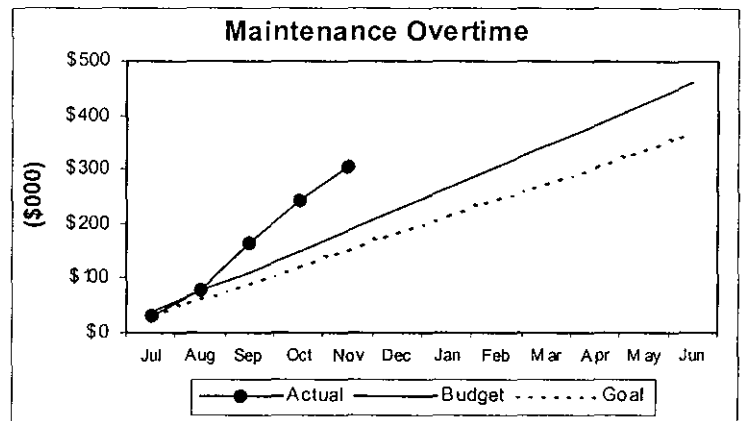
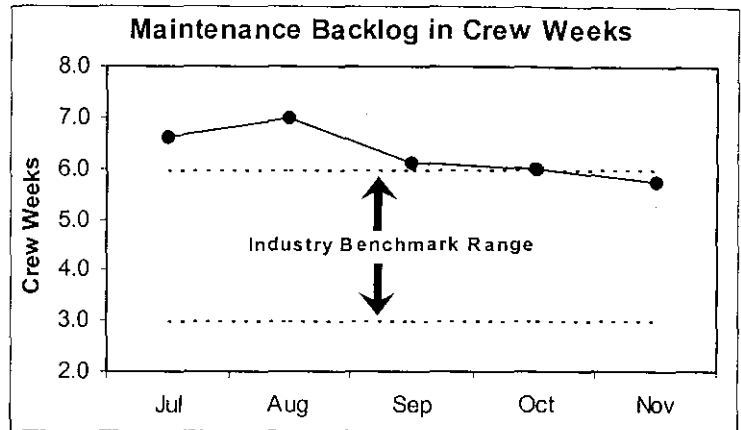


MWRA PROGRAM AND BUDGET UPDATE

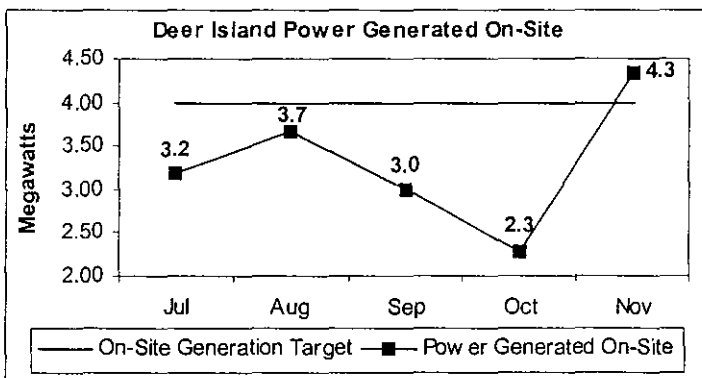
Through November 2003



Maintenance. Equipment and facility maintenance expense is a growing component of the Authority's Current Expense Budget. The FY04 budget of \$17.8 million is 9% greater than the amount of just two years earlier. At Deer Island, several productivity and proactive initiatives are being pursued to increase efficiency and control expenses. Over the last 12 to 18 months, the Authority has experienced a maintenance backlog within the industry standard of 3 to 6 weeks. However, as filled positions declined in the second half of FY03, the backlog increased and rose above the industry standard. During the first half of FY04, the Authority has begun to fill targeted maintenance positions and to use maintenance overtime to bring the backlog down to acceptable ranges. By November, the backlog fell to 5.8 weeks. Staff report that overtime spending will continue in order to adjust for understaffing in certain trade groups until vacancies are filled. Some understaffed groups had experienced backlogs of 8 to 10 weeks, although these levels are also beginning to decline.



Electricity. One of the largest non-personnel related expenses is Electricity. *Deer Island electricity* purchases account for two-thirds (\$9.1 million) of the \$13.6 million annual budget. The target for power generated on the Island (through the use of methane gas, combined turbine generators, and hydropower facilities) is 16% of the assumed power demand. Through the first four months of FY04, power generation fell short of the monthly targets due to lower gas production, a planned equipment shutdown and lower hydropower generation (during the summer). In November, generation was higher than target due to higher steam turbine generator output and better performance by the hydroelectric generator.



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Operation Start-Up. Work to bring the primary components of the *Integrated Water Supply Improvement Program* including the *MetroWest Water Supply Tunnel*, *Norumbega Covered Storage Tank* and the *Walnut Hill Water Treatment Plant* online is underway. On November 1st, the *Cosgrove*

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Tunnel and Upper Hultman were shut down and flows were transferred to the interim *Wachusett Aqueduct/MetroWest Water Supply Tunnel/Lower Cosgrove* system. The *Cosgrove/Upper Hultman* will be shut down during the low demand period of the winter of 2003-2004 to accommodate the demolition of Shaft C and the installation of inter-connections between the *Cosgrove Tunnel* and the *Walnut Hill Water Treatment Plant*. Demolition and piping work is estimated to take approximately five months (late March 2004). MWRA will need to place the *Cosgrove Tunnel* back into service to provide water to supply community demand and to allow for testing of the *Walnut Hill Water Treatment Plant*.

The *Norumbega Covered Storage Tank* includes three separate cells with an approximate capacity of 38 million gallons each. The multiple cells provide the MWRA with operational flexibility to shut down specific cells as needed to address issues including water quality concerns, scheduled tank maintenance and repairs. The design/build contractor disinfected site piping, tank cells and channels in accordance with accepted national standards. This work was originally undertaken in early October. The laboratory results after the first disinfection effort indicated the presence of coliform bacteria. Tanks 2 and 3 needed to be drained and inspected internally. A second attempt also proved to be unsuccessful. To resolve this problem, MWRA directed the contractor to re-disinfect the *MetroWest Tunnel* from the *Norumbega Tank* to the eastern terminal point at Shaft 5 and disinfect the cells for a third time utilizing a combination of disinfection methodologies. Cell 2 was placed into service on November 12th, while Cell 3 was activated on November 17th. A change order was approved by the MWRA Board of Directors in December to account for the estimated \$200,000 in costs associated with the October/November disinfection problems. Plans call for Cell 1 to be placed into service in mid-summer 2004 and the remaining site work to be completed by December 31, 2004. MWRA is providing monthly facsimile/e-mail updates to community representatives regarding Operation Start-Up.

Status of FY04 MWRA Budgets. Through November 2003, accrued spending on the Capital Program and Budget came to \$103.55 million, just \$4.5 million (4%) below the \$108 million budgeted for the period. Spending for the month of November came to \$21 million, \$2.7 million (14%) greater than the \$18.3 million budgeted. The greater than budgeted spending was driven by the accrual of \$8.5 million for the *Residuals* program, the result of the resolution of a long-standing claim. Nearly \$133.5 million remains in the FY04 budget of \$237 million (net of contingency allowances) for the remainder of the fiscal year. Including the \$19.4 million in contingency fund allowances, the total budget is \$256.5 million.

Areas of significant spending for the year to date are: *Drinking Water Quality Improvements* (\$32.9 million), including the *Walnut Hill Water Treatment Plant* (\$23.5 million) and the *Norumbega Covered Storage Facility* (\$9.04 million); the *CSO Control Program* (\$23.8 million); *Wastewater Interception and Pumping* projects (\$11.8 million), including the *Braintree-Weymouth Relief Facilities* project (\$10.02 million); and the *MetroWest Tunnel* (\$5.4 million, reflecting a recent credit).

For the FY04 Current Expense Budget, accrued spending through November reached \$190.2 million, \$6.85 million (3.5%) below the \$197.05 million budgeted for the five-month period. Direct Expense accruals reached \$68.2 million, 3.2% below the \$70.4 million budgeted. Lower than budgeted spending on *Personnel* costs, *Chemicals* (primarily at Deer Island), and some *Maintenance* projects contributed to \$2 million of the variance. For the second month, greater than budgeted accruals for *Sludge Pelletization*, now \$1.1 million greater than budgeted, were the result of the recent settlement of a claim. Indirect Expenses totaled \$122 million, 3.6% below the \$126.6 million budgeted. Lower *Debt Service* expense continues to be the principal cause of the variance. The Authority has budgeted \$475.8 million for FY04 for all Direct and Indirect Expenses, net of debt service offsets.