

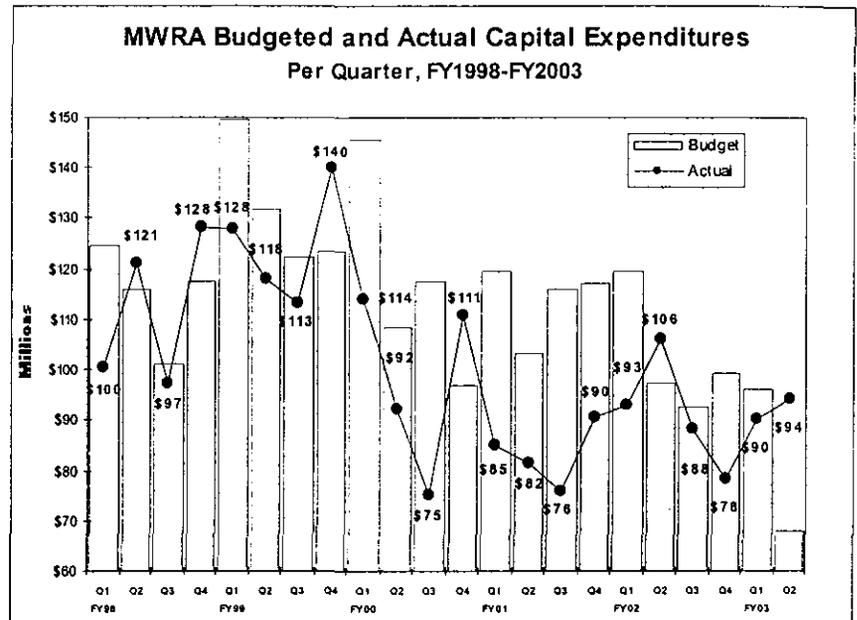


STATUS OF MWRA BUDGETS

FY2003 Second Quarter Update (through December 2002)

FY03 Capital Improvement Program and Budget

Accrued spending through December 2002 came to \$184 million, 12% (\$20 million) more than the \$164 million budgeted for the period (net of contingency fund allowances). This compares to the \$199 million accrued for the first six months of FY02 and the \$167 million accrued for the same period two years ago. Accruals for the month of December were \$13.9 million, nearly 40% below the \$22.66 million budgeted. If the spending totals exclude the *Financial Assistance, Local Water Rehabilitation Assistance, Local Water Pipeline Assistance*, and the



Community-Managed CSO projects, as well as the \$25.8 million claim settlement payment for the *outfall tunnel*, the year to date variance is \$5.8 million or 3.5% less than budgeted.

The Authority has budgeted \$135.9 million for the third and fourth quarters combined, and assumes in its proposed FY04-06 CIP that FY03 spending will reach \$331.9 million, \$28.475 million more than budgeted for the year. The primary reason for the greater than budgeted spending is the settlement of the claim relating to the effluent outfall tunnel and related costs which added \$25.8 million to year to date spending on the *Boston Harbor Project*. The settlement costs are covered by the \$37.3 million FY03 contingency budget.

Just over 60% of all spending this fiscal year has been for **Waterworks projects**. Spending reached \$111.3 million, 14.3 million (14%) greater than the \$96.9 million budgeted. Accruals for the *Walnut Hill Water Treatment Plant* totaled \$43 million, \$7.5 million more than budgeted for the period and nearly one-quarter of all spending for the year to date. The *MetroWest Water Supply Tunnel project* accounted for \$20.7 million in spending, \$1.8 million more than the amount budgeted for the period. Spending on the *Norumbega Covered Storage project*, the Authority's fifth largest capital project in FY03, reached \$17.4 million, more than \$5 million over the \$12.1 million budgeted for the period. Work for all three of these major projects is progressing ahead of schedule. Together, spending on these three projects totaled \$81 million, or 44% of all spending for the year to date. Distributions under the *Local Water Pipeline Improvement Loan Program* totaled \$10.1 million (no change from November, but still \$1.15 million more than budgeted for the period).

Joseph E. Favaloro, Executive Director

Spending on **Wastewater projects** totaled \$71.4 million for the six-month period, \$12 million or 20% more than the \$59.4 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 *outfall tunnel* claim. All other *Wastewater* project spending came to \$41.27 million, nearly \$8.9 million or 18% below budgeted amounts. Later than budgeted spending for the *Braintree-Weymouth Relief Facilities project* of \$6.3 million and the *Wastewater Meter System Equipment Replacement program* of \$1.2 million contributed to the below budget variance.

The **Construction Fund balance** stood at \$192.3 million, as of the end of December, reflecting the close of the November transaction which included \$200 million in new borrowing. Construction spending (on a cash basis) for the month was \$15.37 million.

FY03 Current Expense Budget

Accrued spending through December 2002 reached \$252.4 million, \$21.36 million (9.2%) more than the \$231.04 million budgeted for the period. Dominating the variance picture is the loss of debt service assistance, accrued at \$21.44 million for the year to date. However, even without the impact of the debt service assistance shortfall, accruals for all current expenses are just \$80,000 below budget.

On December 27, the Board of Directors voted on a plan to close the \$47.175 million shortfall: one-third (\$15.725 million) will be raised through a mid-year rate increase, another one-third from increased use of 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 and related expenses. The amended budget will be reflected in future variance reports, beginning in January.

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 the fiscal year. Through December, spending reached \$86.03 million, within \$236,000 (0.3%) of the \$86.27 million budgeted for the period. The six-month total is \$1.67 million lower than spending for the comparable period in FY02, and \$3.67 million lower than the FY01 figure. Spending during the month of December totaled \$12.9 million, \$1.19 million (8.4%) below the \$14.12 million budgeted.

The largest variances are due to lower spending on *Wages and Salaries*; spending is now \$2.075 million (5%) below budget. Lower *Overtime*, *Other Materials*, and *Other Services* spending totaling \$1.16 million below budgeted amounts have been more than offset by more than \$3.0 million in greater than budgeted spending on *Workers' Compensation*, *Chemicals*, *Maintenance*, and *Professional Services*. The Authority will be reporting in the coming weeks on plans to ensure that the \$3.5 million goal in net reduced spending will be met.

Indirect Expenses totaled \$166.4 million or \$21.6 million (15%) more than budgeted, as the Authority started to recognize the debt service assistance shortfall in its monthly reports for *Capital Financing* expense.

Revenue through December totaled \$230.7 million, 1.2% greater than budgeted. *Investment Income* came to \$17.1 million, \$1.95 million greater than budgeted primarily due to one-time gains from securities that were called or sold prior to maturity.