

# STATUS OF MWRA BUDGETS



*FY2004 Third Quarter Update (through March 2004)*

## FY04 Current Expense Budget

Accrued spending through March 2004 reached \$341.7 million, 3% (\$10.7 million) below the \$352.4 million budgeted for the year to date. At \$475.8 million, the FY04 Current Expense Budget (net of offsets) is twice the size of the FY04 Capital Budget of \$237 million (net of contingency allowances). After nearly twenty years of major capital spending totaling \$6.2 billion, debt service expense is almost 60% of all current expenses (before offsets) and is the principal driver of annual rate increases.

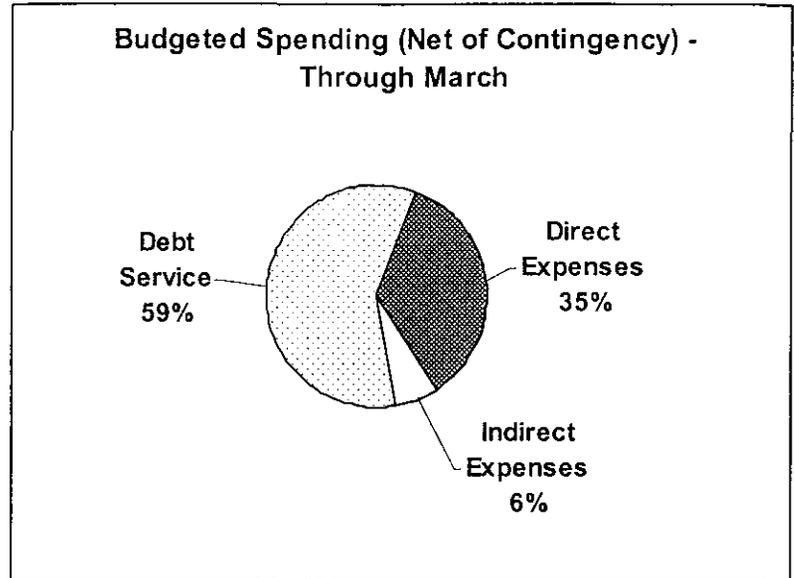
**Direct Expense** spending came to \$120.1 million, \$5.47 million (4.4%) below the \$125.58 million budgeted. FY04 year-to-date spending is \$7 million lower than the \$127.1 million accrued for the same period in FY03.

Contributing to this trend is lower than budgeted spending on *Personnel-Related Expense* and on *Maintenance*. Spending on *Wages and Salaries, Fringe Benefits* and *Workers' Compensation* is now \$3.45 million below budgeted amounts due to higher vacancies, a change in the fringe benefit contribution rate from 85% to 80% and lower than budgeted workers' compensation payments.

The \$1.067 million underspending for *Maintenance* is the result of lower or later spending on a variety of materials and services; staff project that *Maintenance* spending will increase during the latter months of the year and that the variance will narrow by the end of the year. Lower spending of \$0.43 million for *Professional Services* is primarily due to later billings for harbor and outfall monitoring work. *Chemicals* spending has been \$0.47 million lower than budgeted, primarily the result of lower spending on hydrogen peroxide and sodium hydroxide at Deer Island and potassium permanganate in Field Operations, partially offset by increased sodium hypochlorite use at Deer Island and other chemicals in Field Operations. Underspending of \$0.485 million for *Other Services* is due to less than budgeted spending for Space/Lease payments for a lease that was budgeted in FY04 but expensed at the end of FY03 and lower police details spending.

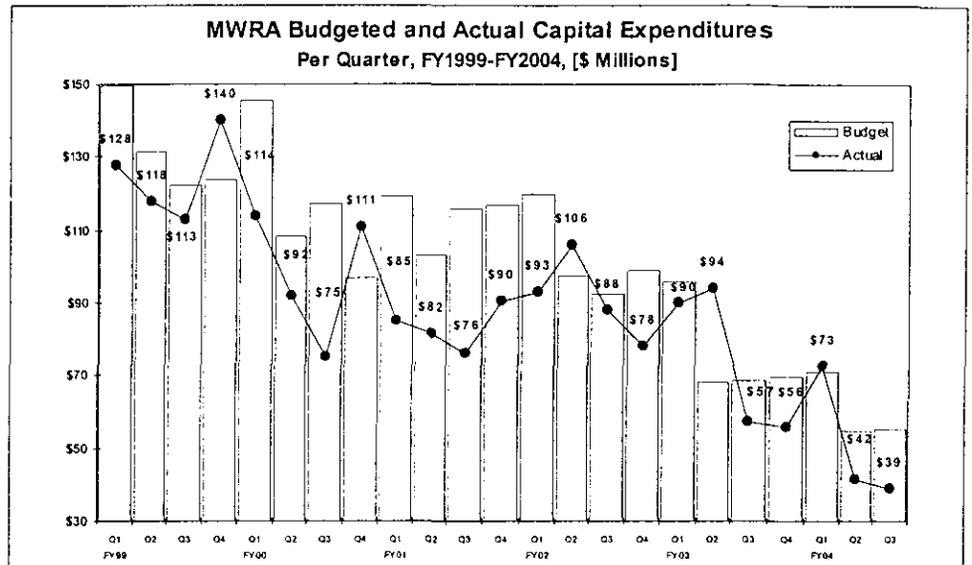
**Indirect Expenses** totaled \$221.6 million, \$5.2 million below the \$226.8 million budgeted due to lower than budgeted *Debt Service* expense. *Debt Service* accruals came to \$197.9 million through March, 2.7% below the \$203.3 million budgeted, primarily due to lower than budgeted interest rates for variable rate debt.

Year-to-date **Revenue** accruals were \$355.8 million, \$0.75 million below the \$356.6 million budgeted due to lower *Investment Income*.



## FY04 Capital Improvement Program and Budget

Accrued spending through March 2004 came to \$153.0 million, 15% (\$28.6 million) less than the \$181.6 million budgeted for the period (net of contingency fund allowances). This level of spending compares to the \$241.3 million accrued for the same period one year ago and the \$309.4 million accrued through nine months of FY02. Accruals for March reached \$19.7 million, 7% or \$1.3 million more than the \$18.4 million budgeted.



Spending for the third quarter was \$38.7 million, the lowest in at least ten years.

The Authority budgeted \$237.0 million for FY04; including contingency fund allowances of \$19.4 million, the total budgeted amount was \$256.4 million. Updated projections of spending, as reflected in the proposed FY05-07 CIP, put FY04 spending at \$229.6 million, or \$7.45 million below the budget, net of contingency, and \$26.8 million below the original FY04 budget, including contingency.

Just over half (52%) of all spending this fiscal year has been for **Waterworks** projects. Spending has reached \$80.1 million, \$13.9 million (14%) below the \$94.0 million budgeted. Accruals for the *Walnut Hill Water Treatment Plant* totaled \$35.67 million, 23% of all spending for the year to date. The *Norumbega Covered Storage* project accounted for \$9.66 million in year to date spending; the project is virtually complete and is now online. Spending on the *MetroWest Water Supply Tunnel* came to \$5.6 million, 40% lower than the \$9.4 million budgeted, reflecting near completion of the project and some work having been accrued in FY03, as well as a recent credit. Distributions under the *Local Water Pipeline Improvement Loan Program* reached \$11.26 million (net of \$4.3 million in loan repayments) and are ahead of budgeted assumptions.

Spending on **Wastewater** projects totaled \$71.77 million for the nine-month period, \$9.56 million (11%) below the \$81.33 million budgeted. At \$40.34 million, *Combined Sewer Overflow Program* spending was the largest component of *Wastewater* spending for the year to date: reimbursements for three ongoing *sewer separation projects in Boston* came to \$23.3 million, progress on the *Union Park Detention Treatment Facility* was supported by \$7.8 million in spending, and the first contract of the *East Boston Branch Sewer* project is nearing completion with year-to-date spending at \$4.36 million. Other significant spending includes \$19.8 million for the ongoing *Braintree-Weymouth Relief Facilities* project, \$4.9 million below budget due to earlier delays in site access; and \$8.6 million for the *Residuals* pelletizing plant reflecting claims payments in the fall.

The **Construction Fund** balance stood at \$109 million as of the end of March. A December bond issue closed in early January and added \$125 million to the Construction Fund. The Authority also issued \$130 million in fixed rate revenue bonds in May.