

# STATUS OF MWRA BUDGETS

FY2004 Second Quarter Update (through December 2003)



## FY04 Capital Improvement Program and Budget

Accrued spending through December 2003 came to \$114.3 million, 9% (\$12.1 million) less than the \$126.4 million budgeted for the period (net of contingency fund allowances). This compares to the \$184 million accrued for the same period one year ago and the \$199 million accrued for the first six months of FY02. Accruals for December were \$10.7 million, or \$7.6 million (41%) below the \$18.3 million budgeted for the period. If the spending totals exclude grant/loan programs, community-managed CSO projects and the

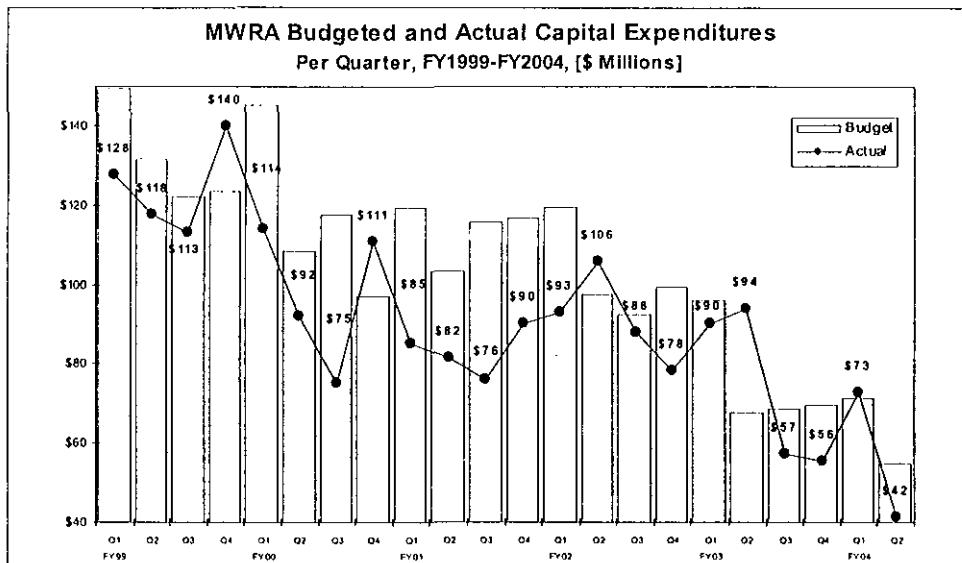
Residuals Program claims settlements, the year to date variance is \$20.2 million, or nearly 20% below the net budget. Also contributing to the variance was the sale of a portion of the Fore River Shipyard, with receipts credited at \$2.1 million.

Spending for the second quarter was \$42 million, the lowest in at least ten years.

The Authority has budgeted \$110.6 million for the third and fourth quarters combined and assumes in its proposed FY05-07 CIP that FY04 spending will reach nearly \$230 million, or \$7 million below the year's budget of \$237 million.

Nearly 56% of all spending this fiscal year has been for **Waterworks** projects. Spending reached \$63.7 million, just 5% below the \$67.7 million budgeted. Accruals for the *Walnut Hill Water Treatment Plant* totaled \$27 million, 24% of all spending for the year to date. The *Norumbega Covered Storage* project accounted for \$9.1 million in spending, nearly \$1 million more than the year to date budget, due to work progressing ahead of schedule. Spending on the *MetroWest Water Supply Tunnel* came to \$6.2 million lower than budgeted reflecting near completion of the project and some work having been accrued last year, as well as a recent credit. Distributions under the *Local Water Pipeline Improvement Loan Program* totaled \$9.0 million (net of \$2.6 million in loan repayments) and are ahead of schedule.

Spending on **Wastewater** projects totaled nearly \$49.7 million for the six-month period, \$4.8 million (8%) below the \$54.5 million budgeted. Combined Sewer Overflow Control Program spending was the largest component of year to date Wastewater spending, at \$25.4 million, with the greatest spending on the *Union Park Detention Treatment project* (\$6.3 million); three *sewer separation* projects in Boston (nearly \$11 million); and the *East Boston Branch Sewer* project (\$4.35 million). Other significant spending includes \$13.65 million for the ongoing *Braintree-Weymouth Relief Facilities* project, \$5.3 million below budget due to delays in site access; and \$8.5 million for the *Residuals* pelletizing plant reflecting recent claims payments.



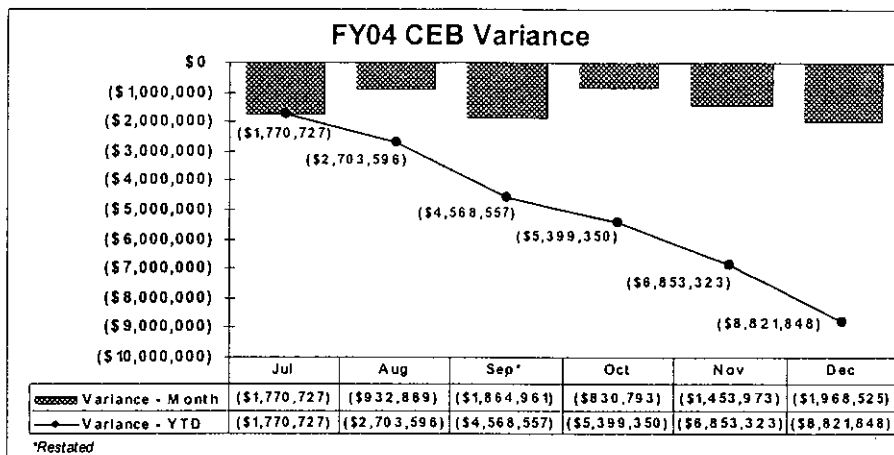
Joseph E. Favaloro, Executive Director

11 Beacon Street • Suite 1010 • Boston, MA 02108-3002 • Telephone: (617) 742-7561 • Fax: (617) 742-4614

The **Construction Fund** balance stood at \$27.3 million as of the end of December. A December bond issue closed in early January and will add \$125 million to the Construction fund. Construction spending (on a cash basis) for the first half of the fiscal year was \$140.85 million. The next bond issue is planned for late spring.

### **FY04 Current Expense Budget**

Accrued spending through December 2003 reached \$228.2 million, \$8.82 million (3.7%) below the \$237 million budgeted for the first half of the year. The current expense budget is now twice the size of the capital budget. After nearly twenty years of major capital spending, debt service expense is now almost 60% of all current expenses (before offsets).



**Direct Expense** spending came to nearly \$81 million, \$3.3 million (3.9%) below the \$84.3 million budgeted. FY04 year-to-date spending is \$5.1 million lower than the \$86.03 million for the same period in FY03. Contributing to this trend is lower than budgeted spending on Wages and Salaries and Maintenance. Spending on Wages and Salaries, Fringe Benefits and Workers' Compensation is now \$1.8 million below budgeted amounts due to fewer employees than budgeted, a change in the fringe benefit contribution rate from 85% to 80% and lower than budgeted workers' compensation payments. The \$1.06 million underspending for Maintenance is the result of lower or later spending for a variety of materials and services, among them lower security spending of \$213,000 in the Operations Division. Staff project that other categories of Maintenance spending will increase during the second half of the year and that the variance will narrow by year end. Lower spending of \$386,000 for Professional Services is primarily due to later billings for harbor and outfall monitoring work. Nearly \$300,000 in lower Chemicals spending is the result primarily of lower spending for hydrogen peroxide and sodium hydroxide at Deer Island, partially offset by increases in sodium hypochlorite use earlier in the fall.

**Indirect Expenses** totaled \$147.2 million for the first two quarters, \$5.5 million below the \$152.7 million budgeted, due primarily to lower than budgeted Debt Service expense. Year-to-date **Revenue** accruals were \$238.24 million, \$0.4 million below the \$238.65 million budgeted due to lower Investment Income.