



The Green Sheet

A Financial Publication of the MWRA Advisory Board
Summer 2005

Rates Projected to Rise \$200 Million Over Next Five Years

The Authority's most recent wholesale water and sewer rate projections through Fiscal Year 2010 forecast an increase of nearly \$200 million more than FY05 rates, a 44% increase. By FY2010, the Authority anticipates rate requirements will top \$650 million. These increases are driven primarily by increases in debt service payments on borrowings to support the capital program.

FY05 Year-to-Date Spending YTD Current and Capital Spending Totals Nearly \$600 Million

Through May 2005, the Authority reported spending on the capital program of \$150.8 million. Nearly 54% of the spending (\$81.3 million) was for Wastewater projects, including nearly \$50 million on the Combined Sewer Overflow Program. Another \$67.5 million was for Waterworks projects. Current expenses totaled \$441.2 million for the eleven-month period, nearly three times capital spending.

The year-end report is expected to be available in August.

Current Expense Budget for FY06 Set at \$525 Million

The Authority's Board of Directors approved the FY06 Current Expense Budget (CEB) at \$525 million, with an associated rate increase of 4.2%. The approval followed extensive review and discussion by the Advisory Board, which recommended reduced spending and increased non-rate revenue totaling \$10.4 million to be used to reduce future anticipated rate increases. The Advisory Board's review also identified increases in interest rates, utility costs, inflation rates and increases in health insurance costs totaling \$10.1 million. The 4.2% rate increase incorporates the savings identified by the Advisory Board, as well as these added risks. The rate also reflects the inclusion of \$10 million in debt service assistance contained in the final state budget. The debt service assistance funding comes at a time when debt service payments on the Boston Harbor Project, and on a number of other major improvements to the service area's infrastructure, are increasing rapidly.

CSO Spending Dominates Capital Spending

The Combined Sewer Overflow (CSO) Program is the largest component of the capital budget approved by MWRA's Board of Directors on June 29. Future spending on the CSO program is expected to be \$450 million, or about 40% of all future capital spending. The Authority has already spent \$306 million on the CSO program, bringing the program's total cost to \$755.8 million.

The program carries many technical risks, which could push costs higher, as could community concerns, shrinking local participation in program costs and additional regulatory requirements. The Authority's capital program complies with the capital spending cap approved by the Board of Directors in June 2003.

Footnotes

\$ A 1% increase in FY06 rates is \$4.53 million.

\$ For every \$100 million borrowed to support the capital program, annual debt service payments would be \$7.26 million (assuming an even payment stream over 30 years at 6%).

\$ Nearly 60% of the budget, more than \$325 million, supports debt service payments on the more than \$5 billion in MWRA outstanding debt.