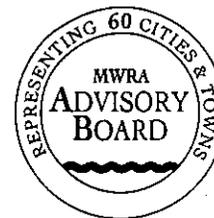


STATUS OF MWRA BUDGETS

Summary of FY 2004 Capital and Current Expense Spending and
Capital and Current Expense Budgets for FY 2005



FY04 Capital Improvement Program and Budget

Capital spending for the year just past totaled \$194.1 million (on an accrual basis), \$41.8 million, or 17%, below the \$235.9 million budgeted (net of contingency fund allowances). Spending was the lowest in fifteen years and was \$103 million less than just one year ago. Compared to the FY04 capital spending cap of \$250.9 million, spending was nearly 23% below the cap.

Spending included \$92.3 million for **Wastewater projects**, of which half was for the CSO Control Program; \$100.0 million for **Waterworks projects**, more than half of which was for the new Walnut Hill Water Treatment Plant and the Norumbega Covered Storage Reservoir, and \$1.76 million was for **Administration and Security projects**.

Five projects and programs accounted for nearly 70% of all capital spending in FY04: the CSO Control Program \$45.9 million; the Walnut Hill Water Treatment Plant \$43.8 million; the Braintree-Weymouth Relief Facilities Project \$26.6 million; Norumbega Covered Storage Reservoir \$11.3 million; and the MetroWest Tunnel \$7.2 million.

The **Construction Fund Balance** stood at \$117 million as of the close of the fiscal year, reflecting the late May borrowing of \$130 million (which, after deposits to refund and retire previous borrowings and meet reserve requirements, provided \$58.3 million to the construction fund). New borrowing through the SRF Program is planned for later in the fall.

Capital Improvement Program Budgets: FY04 and FY05					
\$ Millions					
Program Area	FY04 Budget	FY04 Actual	Variance Amount	Variance Percent	FY05 Budget
Wastewater System Improvements	\$99.6	\$92.3	(\$7.2)	-7%	\$116.9
Waterworks System Improvements	127.8	100.0	(27.8)	-22%	83.3
Business and Operations Support	8.5	1.8	(6.7)	-79%	8.0
Total	\$235.9	\$194.1	(\$41.8)	-18%	\$208.2

Net of contingency allowances. Wastewater and Waterworks program spending includes community loan programs.

FY05 Capital Improvement Program and Budget

For FY05, the Authority has budgeted \$208.2 million plus \$15.4 million in contingency fund allowances. After several years of **Waterworks** spending dominating the capital program, particularly *Drinking Water Improvements* and the construction of the *MetroWest Water Supply Tunnel*, **Wastewater** projects represent the majority of spending in FY05 (56%). At \$68.6 million, spending on the CSO Control Program is nearly 60% of all Wastewater spending budgeted for FY05. The *Braintree-Weymouth Relief Facilities* project is budgeted at \$15.25 million and *Deer Island Optimization* and *Asset Protection* spending is set at \$13 million (more than four times the \$3.2 million spent in FY04). **Waterworks** project spending totals \$83.3

million and includes \$25.4 million for the *Walnut Hill Water Treatment Plant*, \$6.4 million for completion of the *Norumbega Covered Storage Project* and start of the *Blue Hills Covered Storage Reservoir*, \$11.2 million for *Transmission* projects and \$27.7 million for *Distribution and Pumping* projects. Spending on **Business and Operations Support** projects is budgeted at \$8 million, including \$3.15 for *Equipment* (primarily security related) *Purchase and Installation*.

FY05 marks the second year of the new **five-year capital spending cap**: in any one year, actual spending can vary by plus or minus 20% from the original caps set for the years FY04 through FY08, as long as total spending for the five-year period is no more than the \$1.134 billion cap. The final FY05 CIP calculates the five-year cap at \$1.051 billion, \$83.2 million below the original cap. The updated cap for FY05 of \$220.6 million is 8.4% greater than the original cap for that year of \$203.5 million. Thus, planned spending remains within the cap amounts for FY05 and for the five-year period.

FY04 Current Expense Budget

The Authority ended fiscal year 2004 with a surplus of \$1.45 million, to be transferred to the Bond Redemption Account for use in easing the pace of future rate increases. The small surplus reflected the use of a portion of the anticipated surplus to defease debt due in FY05 and in FY06. *Revenue and Income* were \$476.3 million or \$0.5 million more than budgeted. *Total Expenses* came to \$474.8 million or \$0.95 million below the budgeted amounts. Of that amount, *Direct Expenses* totaled \$171.5 million, \$1.45 million below budget, primarily due to lower staffing levels (and related fringe benefits) partially offset by greater than budgeted spending for maintenance and energy/utilities. *Indirect Expenses* came to \$31.8 million or \$0.5 million greater than budget due primarily to adjustments to insurance claims reserves and to increased contributions to the retirement system. Spending on *Debt Service Expense* totaled \$271.5 million, just under budget, and includes the use of some anticipated surplus funds to defease debt due in FY05 and FY06.

Current Expense Budgets: FY04 and FY05				
	<i>FY04 Budget</i>	<i>FY04 Actual</i>	<i>Variance Amount</i>	<i>FY05 Budget</i>
Direct Costs	\$172,959,281	\$171,509,005	(\$1,450,276)	\$176,050,806
Indirect Costs	31,293,953	31,809,596	515,643	34,574,632
Debt Service	271,540,974	271,526,358	(14,616)	281,981,265
Total	\$475,794,208	\$474,844,959	(\$949,249)	\$492,606,703

FY05 Current Expense Budget

The Authority's budget for FY05 totals \$492.6 million, including \$176.05 million for *Direct Expenses*, \$34.6 million for *Indirect Expenses* (including \$21.8 million for the Division of Watershed Management) and \$282 million for *Debt Service Expense* net of bond redemption and variable rate debt offsets. Just over 92%, or \$453 million, of the budgeted *Revenue* is to come from ratepayers, less anticipated receipts of \$8.7 million in *Debt Service Assistance from the Commonwealth*. *Other Revenue* comes primarily from *Other User Charges* and from *Investment Income* (including *Swap Receipts*). The FY05 budget includes increased funding for *Chemicals* and *Energy and Utilities* to support the startup of the Braintree-Weymouth Intermediate Pump Station and Tunnel and the Walnut Hill Water Treatment Plant.