



# The Green Sheet

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## FY06 CEB Faces Spending Risks

As discussions continue on how to contain the sharp increases in rates projected for FY07 and the next five years, FY06 is looking more difficult. The Authority is monitoring spending closely as the FY06 Current Expense Budget (CEB) faces several spending risks. Staff anticipate a budget gap of approximately \$3.5–3.7 million; however, some observers regard these estimates as low if certain key expenses (such as utilities and chemicals) rise and some non-rate revenues (such as hydropower credits) fall short of expected levels. Authority staff plan to report to the Board of Directors in November on first quarter spending and update estimates of the budget gap.

Through September, spending for the CEB totaled \$129.1 million, \$0.5 million (0.4%) greater than budgeted. Direct expenses for September alone were nearly \$1 million over budget and \$1.5 million greater than budgeted for the year-to-date, due primarily to greater than budgeted spending for electricity, diesel fuel and maintenance at Deer Island. While Direct expense spending is offset by lower than budgeted debt service accruals and greater than budgeted investment income, concern about these budget risks continues as the winter season approaches and energy costs, in particular, are expected to rise.

## CSO Spending Approaches 50% of Wastewater Capital Spending

For the first quarter of FY06, accruals for the capital program totaled \$52.7 million, just over the \$51.8 million budgeted for the three-month period. Spending on the Wastewater program came to \$37.6 million or over 70% of all year-to-date spending. Nearly half of that spending was for the Combined Sewer Overflow (CSO) Control Program. Spending on Waterworks projects totaled \$14.5 million.

## MWRA Ends FY05 With Capital and Current Expense Spending Below Budget

The Authority closed the 2005 Fiscal Year with lower than budgeted spending for both the capital and current expense budgets. Spending on the capital program totaled \$167.7 million, 19% below the \$207.7 million budgeted. Wastewater spending came to \$88.6 million of which \$53.7 million was for the CSO Control Program, one-third of all capital spending. Spending on Waterworks projects totaled \$76.7 million.

Total current expenses came to \$486.2 million of which \$276.1 million was for debt service. Total revenue and income totaled \$491.5 million, resulting in a year end surplus of \$5.3 million to be used in future years to ease the pace of projected rate increases.

## Plans for Rates Summit Progress

With rate increases, especially over the next four to five years, representing the single most challenging issue facing the Authority, a special meeting for the Board of Directors on rates management is being set. The pressures on this year's budget make this meeting even more critical, as price increases in such areas as energy, chemicals and health insurance are expected to continue into future years.

Projections issued with the Final FY06 budget show rates rising by over \$200 million over the next five years, driven largely by debt service payments and declining rate stabilization funds (projected to be fully drawn down in the next two years).

## Footnotes

- \$ The total CEB budget for FY06 is \$525 million
- \$ The total CIP budget for FY06 is \$209.2 million (including \$15.7 million in contingency funding)