



# THE GREEN SHEET

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## FY08 BUDGET SNAPSHOT

### **CAPITAL IMPROVEMENT PROGRAM (CIP) AND BUDGET**

The Massachusetts Water Resources Authority has budgeted \$228 million in capital spending for FY08, including \$144 million for wastewater projects and \$77 million for waterworks projects. Spending on Combined Sewer Overflow (CSO) projects has been set at \$97 million, more than 40% of the entire year's budget. The South Boston CSO tunnel project alone is budgeted at \$68 million, nearly 30% of the full year's budget.

Spending on the capital program through December came to \$80 million, or 21% below the \$101 million budgeted for the period. Much of the \$21 million gap is for lower and slower spending on waterworks projects. CSO spending of \$35 million is \$6.5 million below the six-month budget but can be expected to increase during the coming months.

### **CURRENT EXPENSE BUDGET (CEB)**

The total budget for the year is nearly \$565 million. Six months into the fiscal year, the Authority has accrued \$271 million in current expenses of which 59% is related to capital financing expense. Staff reports that the agency, like many others across the country, is facing higher interest payments on its subordinate debt (despite lowering of the fed funds rate) resulting from the credit rating downgrades of certain bond insurers and the subsequent disruption in the municipal bond market. At its February meeting, the Authority's Board authorized the issuance of up to \$575 million of subordinate refunding bonds, in order to remove the bond insurers from existing debt and improve its trading value. Additional refunding is under consideration.

## FY09 PROPOSED BUDGETS

### **CAPITAL IMPROVEMENT PROGRAM (CIP) AND BUDGET**

The proposed capital budget has identified future spending of just over \$2 billion, of which \$1.16 billion is to be spent in the next five years and \$600 million over the following five years. Spending during the second five-year period can be expected to evolve, with the first five years providing a more complete picture of the scale of the Authority's capital program. Spending for the FY09-13 period is close to the amounts originally budgeted for the previous five-year period; nearly 30% of all spending for the period is budgeted for the CSO program.

### **CURRENT EXPENSE BUDGET (CEB)**

The Authority is proposing a budget of \$586.8 million for FY09, including rate revenue of \$549 million, a 5.9% increase over the FY08 rate revenue requirement of \$518 million. The budget assumes debt service assistance receipts from the Commonwealth of \$11.25 million, consistent with the amount in the Governor's proposed state budget. Direct expenses are set at \$215 million, indirect expenses at \$46.5 million, and debt service and related capital financing costs at \$336 million.

The Advisory Board will be conducting its review of both budgets this spring, with a vote on *Comments and Recommendations* on the CIP in April and on the CEB in May. The Authority's Board of Directors will be discussing both budgets at a meeting in early June, with votes on the final budgets expected on June 25, 2008.

#### **MWRA ADVISORY BOARD**

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