



Welcome! We'll be starting our 10:00 meeting soon!

(please check to make sure that you can mute/unmute  
your audio and review your camera sharing options)

MWRA Advisory Board Meeting

April 20, 2023

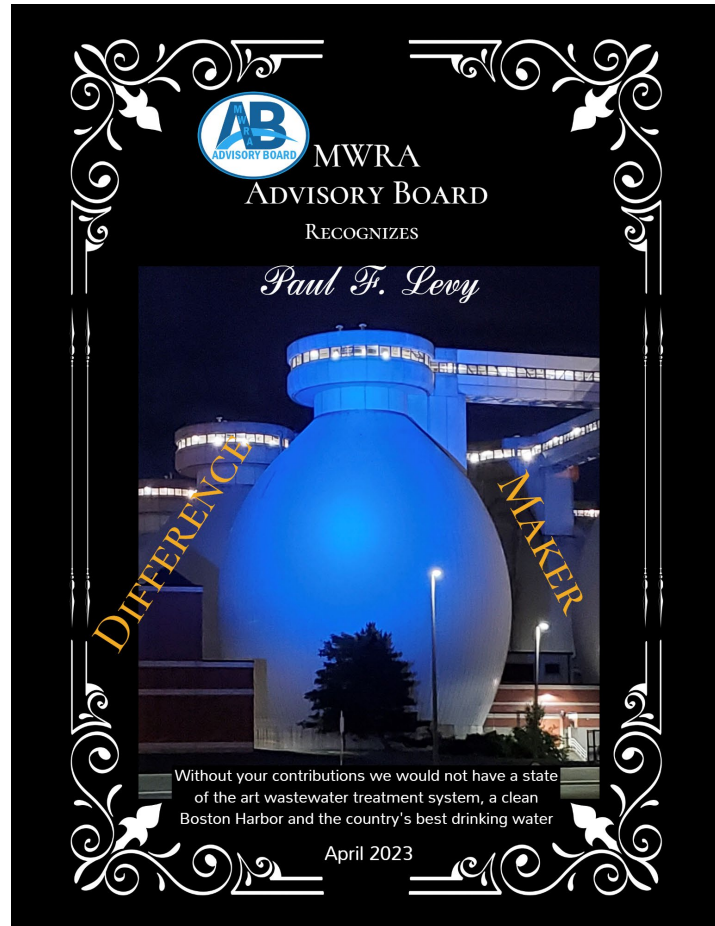
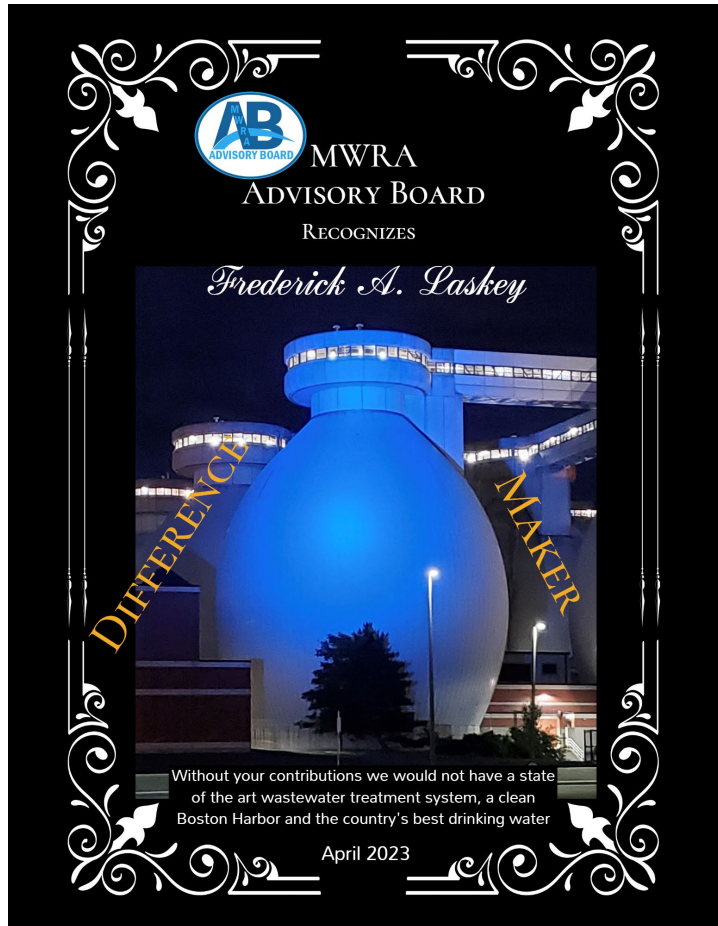


**MWRA Advisory Board Meeting**

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# Difference Maker Awards





**MWRA Advisory Board Meeting**

**April 20, 2023**



# FY24 AB Operating Budget

MWRA ADVISORY BOARD BUDGET - FISCAL YEAR 2024					
	DRAFT				
	Approved FY22	Approved FY23	Draft FY24	Change from FY23 (%)	Change from FY23 (\$)
<b>PERSONNEL</b>					
Regular employees	4 full time	4 full time	4 full time		
Part-Time employees					
<b>Total employees</b>	\$439,310	\$448,641	\$406,643	-9.4%	-\$41,998
<b>Consultant/Contract Employee (2 interns)</b>	\$0	\$4,725	\$9,450	100.0%	\$4,725
<b>Benefits</b>	\$2,500	\$3,260	\$3,455	6.0%	\$195
<b>Medicare</b>	\$6,370	\$6,755	\$5,896	-12.7%	-\$859
<b>SUBTOTAL</b>	\$8,870	\$14,740	\$18,801	27.6%	\$4,061
<b>OFFICE SPACE</b>					
<b>Rent</b>	\$74,000	\$67,000	\$0	-100.0%	-\$67,000
<b>Insurance &amp; Workers' Comp.</b>	\$2,900	\$2,900	\$2,900	0.0%	\$0
<b>SUBTOTAL</b>	\$76,900	\$69,900	\$2,900	-95.9%	-\$67,000
<b>MATERIALS</b>					
<b>Office &amp; PC supplies</b>	\$10,000	\$10,000	\$10,000	0.0%	\$0
<b>Postage</b>	\$500	\$200	\$50	-75.0%	-\$150
<b>Printing</b>	\$1,000	\$750	\$0	-100.0%	-\$750
<b>SUBTOTAL</b>	\$11,500	\$10,950	\$10,050	-8.2%	-\$900
<b>FURNITURE &amp; EQUIPMENT</b>					
<b>Furniture &amp; Fixtures</b>			\$1,000		
<b>Equipment</b>	\$0	\$500	\$500	0.0%	\$0
<b>SUBTOTAL</b>			\$1,000		
<b>OTHER EXPENSES</b>					
<b>Audit &amp; Accounting</b>	\$22,700	\$19,380	\$25,000	29.0%	\$5,620
<b>Equipment Maintenance</b>	\$0	\$0	\$0	0.0%	\$0
<b>Equipment Lease</b>	\$3,000	\$1,800	\$0	-100.0%	-\$1,800
<b>Education/Training/Conferences</b>	\$2,500	\$2,500	\$5,000	100.0%	\$2,500
<b>Information Services/Telecom*</b>	\$9,948	\$10,159	\$10,159	0.0%	\$0
<b>Public Meetings</b>	\$17,000	\$17,000	\$17,000	0.0%	\$0
<b>Publications</b>	\$350	\$350	\$350	0.0%	\$0
<b>Advertising/Legal Notices</b>	\$300	\$2,000	\$2,000	0.0%	\$0
<b>Members' Reimbursement</b>	\$2,600	\$2,000	\$2,000	0.0%	\$0
<b>Miscellaneous/Payroll Expense</b>					
<b>Temp Help</b>	\$0	\$0	\$0	0.0%	\$0
<b>Bank Charges</b>	\$50	\$50	\$50	0.0%	\$0
<b>SUBTOTAL</b>	\$58,448	\$55,239	\$61,559	-100.0%	\$6,320
Previous year surplus					
<b>SUBTOTAL</b>	\$595,028	\$599,470	\$499,953	-16.6%	-\$99,517
<b>Interest Income</b>					
<b>MWRA CONTRIBUTIONS</b>					



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# Preview of Advisory Board Comments & Recommendations On MWRA PFY24 Budget



# 2.4 by '24

## Long-Term Rates Management

"2.4 by '24"

### In Brief

The Authority met the most recent rates goal ("Four No More") set by the Advisory Board over the past five years. This year, the Advisory Board issues a new rates challenge: reduce rate increases in FY19-23 to below 3.5% and achieve flat 2.4% rate increases by FY2024.

### In Depth

When issued the challenge "Four No More", the Authority worked diligently and achieved the goal of keeping rate increases below 4%. By using several tools – defeasance and optional debt prepayment among them.

Last year, however, the Advisory Board indicated that while "Four No More" was a challenge when first issued, and was a good mantra for the time, times had changed. The question became: what's after "Four No More"? This year's review provides our response.

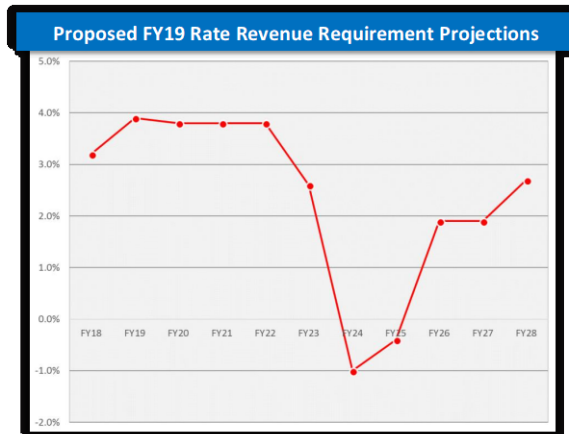


Figure 6

During its review, the Advisory Board explored whether there was a way to "save it forward," meaning was there a way to use the available tools to provide rate relief for communities in the early, more challenging years and preparing for the years beyond. Here we will demonstrate the approach we took to achieve rate increases below 3.5% from FY19-23 and to hold rate increases from FY24 and beyond at 2.4%. It is important to note that our scenario does not change any assumptions in the Authority's projections – including future interest rates, inflation rates, future surpluses or defeasances – beyond those specifically mentioned. If any of these changed, it could make attaining this goal even easier.

First, let's look at the current planning projections (See Figure 6).

The next five years (FY19-23) feature rate increases in the high 3% range; FY24 and FY25 appear to be rate **decreases** followed by smaller rate increases from FY26-28. The takeaway from this image is that the challenging years – from a rate increase perspective – are between FY19-23. Moreover, how these years are handled will set the stage for the five years after.

During its review, the Advisory Board explored whether there was a way to "save it forward," meaning was there a way to use the available tools to provide rate relief for communities in the early, more

- "Save it Forward" model
- Rate Stabilization
- Optional Debt Prepayment





# Targeted Advisory Board RRR

	FY23 Approved	FY24 Proposed	
<b>Rate Revenue</b>	<b>814,648,000</b>	<b>842,545,600</b>	<b>3.42%</b>

Year	Proposed	Approved
FY19	3.91%	3.07%
FY20	3.74%	3.07%
FY21	3.62%	1.00%
FY22	3.59%	2.94%
FY23	3.42%	2.85%
FY24	3.42%	<b>2.40%</b>



Water 3.90%  
Sewer 3.10%



# Areas of Interest

- Debt Service Assistance
- MWRA personnel/vacancy rate
- Pension
- Spring Revisits



# Debt Service Assistance

- \$1,187,297 in [anticipated] DSA





# Debt Service Assistance

## **Developing PFY24 Comments & Recommendations**

*Continuation of the Advisory Board's "Pay it Forward" Principle, applying FY23 Debt Service Assistance towards FY24 Budget.*



# Personnel

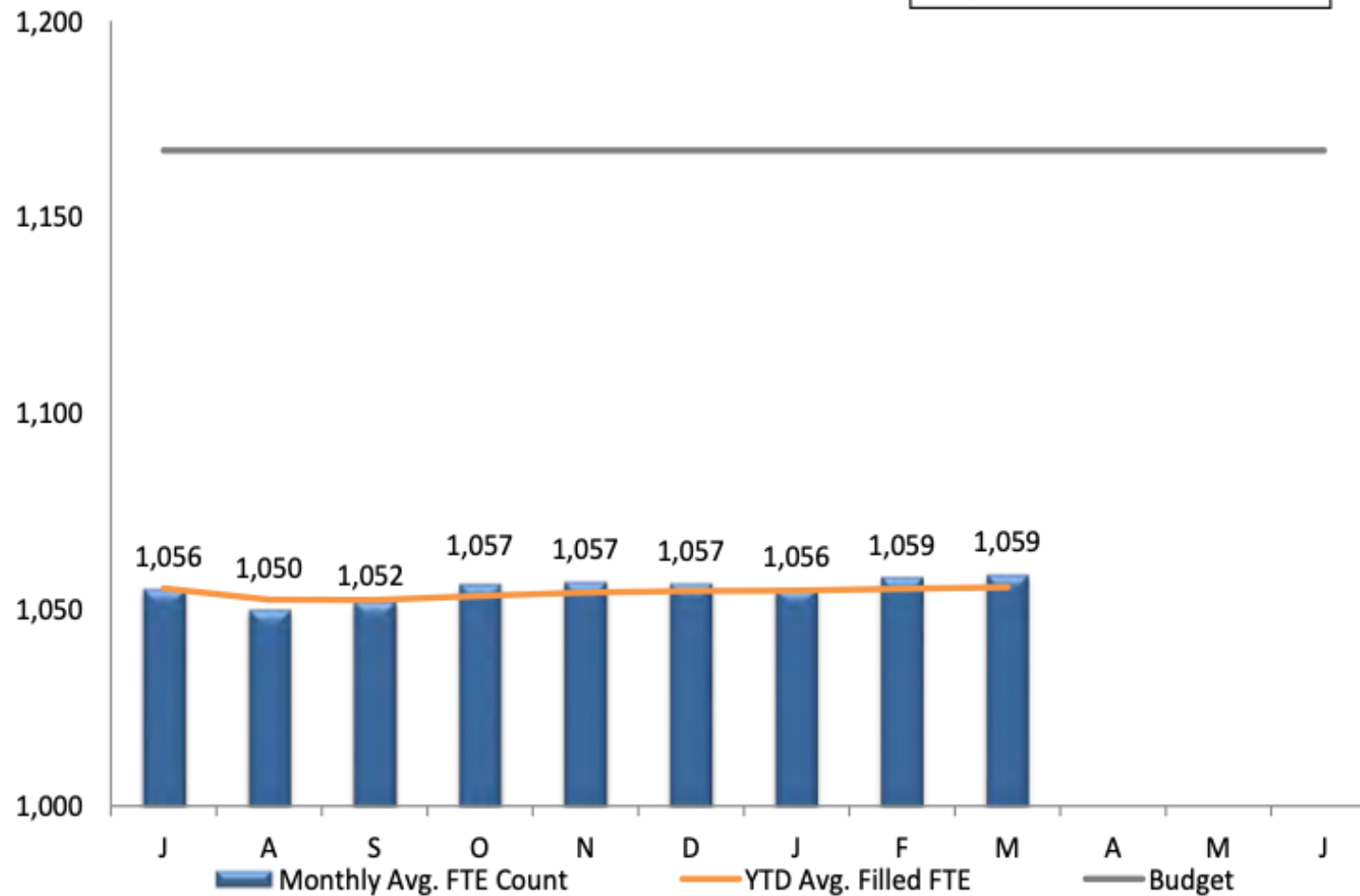
Proposed Fiscal Year 2024				
Personnel Expenses Summary				
(\$s)				
Line Item/Description	Final FY23	Proposed FY24	Δ (\$s)	Δ (%)
<i>Regular Pay</i>	\$117,057,267	\$121,095,606	\$4,038,339	3.4%
Regular wages and salaries for full- and part-time employees.				
<i>Other Pay</i>	1,923,422	1,999,823	76,401	4.0%
Includes shift differential, holiday pay, temporary employees, interns/co-ops, and stand by pay.				
<b>Wages and Salaries Subtotal</b>	<b>118,980,689</b>	<b>123,095,429</b>	<b>4,114,740</b>	<b>3.5%</b>
<b>Fringe Benefits</b>	<b>23,961,641</b>	<b>25,365,846</b>	<b>1,404,205</b>	<b>5.9%</b>
Includes health insurance, dental insurance, Medicare, and all other fringe benefits.				
<b>Overtime</b>	<b>5,337,896</b>	<b>5,575,588</b>	<b>237,692</b>	<b>4.5%</b>
For planned maintenance, emergency, and coverage.				
<b>Workers' Compensation</b>	<b>2,519,751</b>	<b>2,144,395</b>	<b>-375,356</b>	<b>-14.9%</b>
Includes compensation payments, medical payments, and other related costs.				
<b>TOTAL PERSONNEL EXPENSES</b>	<b>\$150,799,977</b>	<b>\$156,181,258</b>	<b>\$5,381,281</b>	<b>3.6%</b>



# Personnel

FY23 MWRA Full Time Equivalent (FTE) Position Trend

Budgeted FTEs:	1,167
Avg. Filled FTEs:	1,056





# Personnel

- 111 fewer FTE's through March 2023 (1,056 versus 1,167)
- \$9 million wages & salaries underspending (March 2023)
- PFY24 funded with vacancy rate of \$2.7 million



# Personnel

## **Developing PFY24 Comments & Recommendations**

*Adjustment of vacancy rate to be level  
with FY24 expectations*





# Pension

*Exploring ways to utilize water utility rate stabilization towards water utility pension costs*

*Offsetting water utility pension costs by reallocating OPEB contributions*

*Short term approach of MWRA Retirement Board and PERAC working together to operate with a rolling fully funded date using the 2040 PERAC deadline*

*Long term approach of legislation to enable PERAC to grant nearly funded agencies like MWRA to utilize a rolling fully funded date*



# Pension

Board Name	Funded Ratio	Valuation Date	Investment Return Assumption	Fiscal Year Amortization Completed
Leominster	119.40%	1/1/22	5.50%	N/A
Shrewsbury	105.80%	1/1/22	7.50%	N/A
Watertown	103.60%	1/1/22	7.70%	N/A
Quincy	101.20%	1/1/22	6.75%	N/A
Massport	98.40%	1/1/22	6.75%	N/A
Greater Lawrence	97.00%	1/1/21	6.50%	2027
MHFA	94.80%	1/1/21	7.00%	2021
Brockton	94.50%	1/1/22	6.75%	2035
Minuteman Regional	94.20%	1/1/21	7.00%	2027
Concord	93.40%	1/1/22	6.50%	2028
Winthrop	92.70%	1/1/21	6.75%	2026
Cambridge	90.60%	1/1/22	7.10%	2026
Dedham	90.00%	1/1/22	7.00%	2029
MWRA	89.00%	1/1/22	6.90%	2030
Milton	88.60%	1/1/21	7.00%	2026
Easthampton	88.50%	1/1/22	6.85%	2028
Hull	88.50%	1/1/22	7.40%	2030
Stoneham	88.40%	1/1/22	7.00%	2026
Berkshire County	87.40%	1/1/21	6.75%	2028
Montague	87.00%	1/1/22	6.85%	2030
Chicopee	85.70%	1/1/21	7.25%	2026
Dukes County	85.30%	1/1/22	7.00%	2031
Blue Hills Regional	85.30%	1/1/22	7.00%	2029



# Spring Revisits

IMPACTS ON EXPENDITURES	Amount	Description
<b>MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY22 CEB</b>		
Staffing (vacancy rate assumptions)	\$ (250,000)	Reduction of 2.5 FTEs
Optional Debt Prepayment	\$ (1,162,500)	50% reduction of proposed increase
Debt Service Assistance	\$ (1,287,870)	Continuing Advisory Board recommendation to "pay it forward"
Indirect Costs - Watershed Staffing	\$ (761,000)	Based conservatively on actual FTE vacancies at DCR
<b>Subtotal AB Recommendations</b>	<b>\$ (3,461,370)</b>	
<b>ANTICIPATED ADJUSTMENTS TO PROPOSED FY22 CEB</b>		
<b>Direct &amp; Indirect Cost Changes</b>		
Wages & Salaries	\$ (933,511)	Reduction to Interns and Reserve
Overtime	\$ (61,654)	Removed Quench Buggy overtime
Fringe Benefits	\$ (135,507)	Reduction to health insurance based on revised rates from GIC, offset by increases to PFML and Medicare based on updated calculations
Chemicals	\$ 98,848	Increase due to revised chemical pricing
Utilities	\$ 337,532	Increase due to revised electricity pricing
Maintenance	\$ (1,470,899)	Removed DITP roofing project and reduced spending projection
Training and Meetings	\$ (24,400)	Reduced based on anticipated needs
Professional Services	\$ (246,000)	Reduction for revised pricing for the Biobot engagement
Other Materials	\$ 1,705,000	CNY moving costs partially offset by reduction to projected vehicle purchase expense
Other Services	\$ (332,484)	Reduction to Sludge Pelletization driven by reduced quantities
Watershed	\$ (535,880)	Reduction driven by increased vacancy adjustment (from 7 to 14 FTEs), partially offset by an increase to PILOT
HEEC	\$ 15,912	Slight increase based on latest info from HEEC
Insurance	\$ 400,000	Increase to premiums based on latest bids received
<b>Subtotal of Changes to Operating Costs</b>	<b>\$ (1,183,043)</b>	
<b>Revenue &amp; Income</b>		
	\$ -	
<b>Subtotal of Rate &amp; Revenue</b>	<b>\$ -</b>	
<b>OPERATING RESERVE REQUIREMENT ADJUSTMENT</b>		
Operating Reserve Requirement	\$ (149,527)	Updated based on applicable adjustments; applies only to direct costs and certain indirect costs (revenue not included)
<b>NET CHANGES TO PROPOSED FY22 CEB</b>	<b>\$ (4,793,940)</b>	



# Spring Revisits

## **Developing PFY24 Comments & Recommendations**

*Working closely with MWRA staff to  
anticipate and prepare for PFY24 spring  
revisits*



# Areas of Interest

- Debt Service Assistance
- MWRRA personnel/vacancy rate
- Rate stabilization
- Pension
- Spring Revisits

} **2.40%**

Year	Proposed	Approved
FY24	3.42%	<b>2.40%</b>



# Budget Process Schedule

- April 20: Comments & Recommendations Preview
- May 18: AB Vote on Comments & Recommendations
- May 24: Transmittal of C&R to MWRA BOD
- June 21: MWRA FY24 CIP and CEB Vote



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