

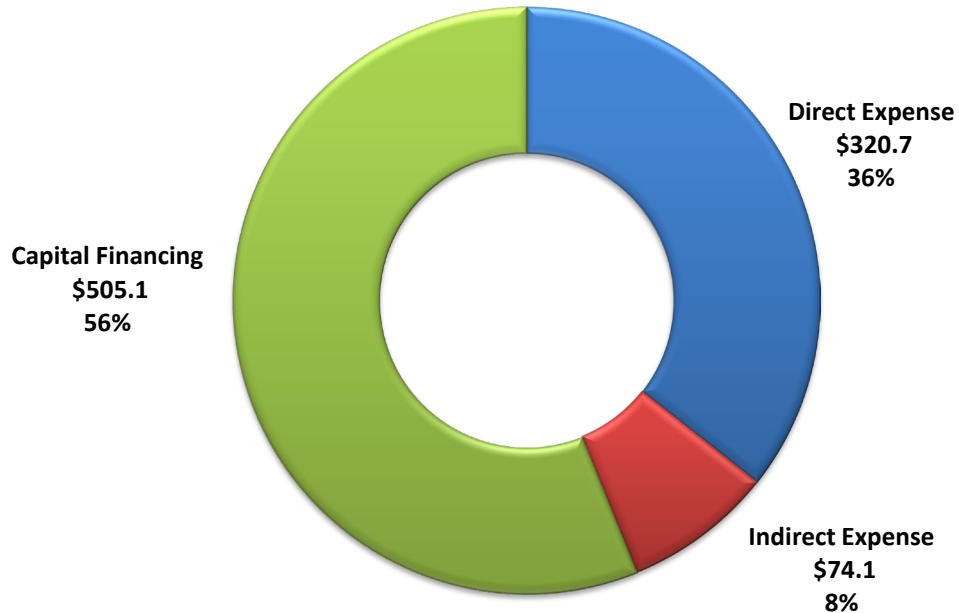


**MWRA Fiscal Year 2025
Proposed
Current Expense Budget**



FY25 Proposed Current Expense Budget

(\$s in million)

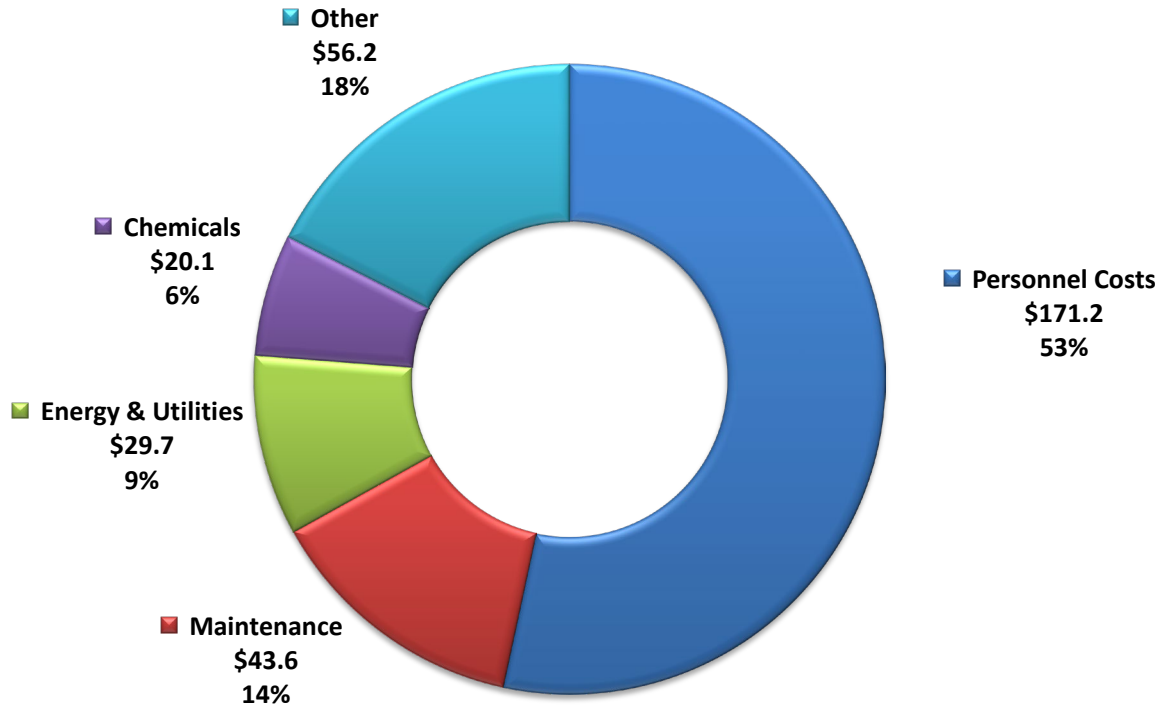


- **FY25 Proposed CEB:** Increase of \$25.7 million or 2.9% over FY24.



FY25 Proposed CEB – Direct Expenses

Direct Expenses by Category (*\$s in millions*)

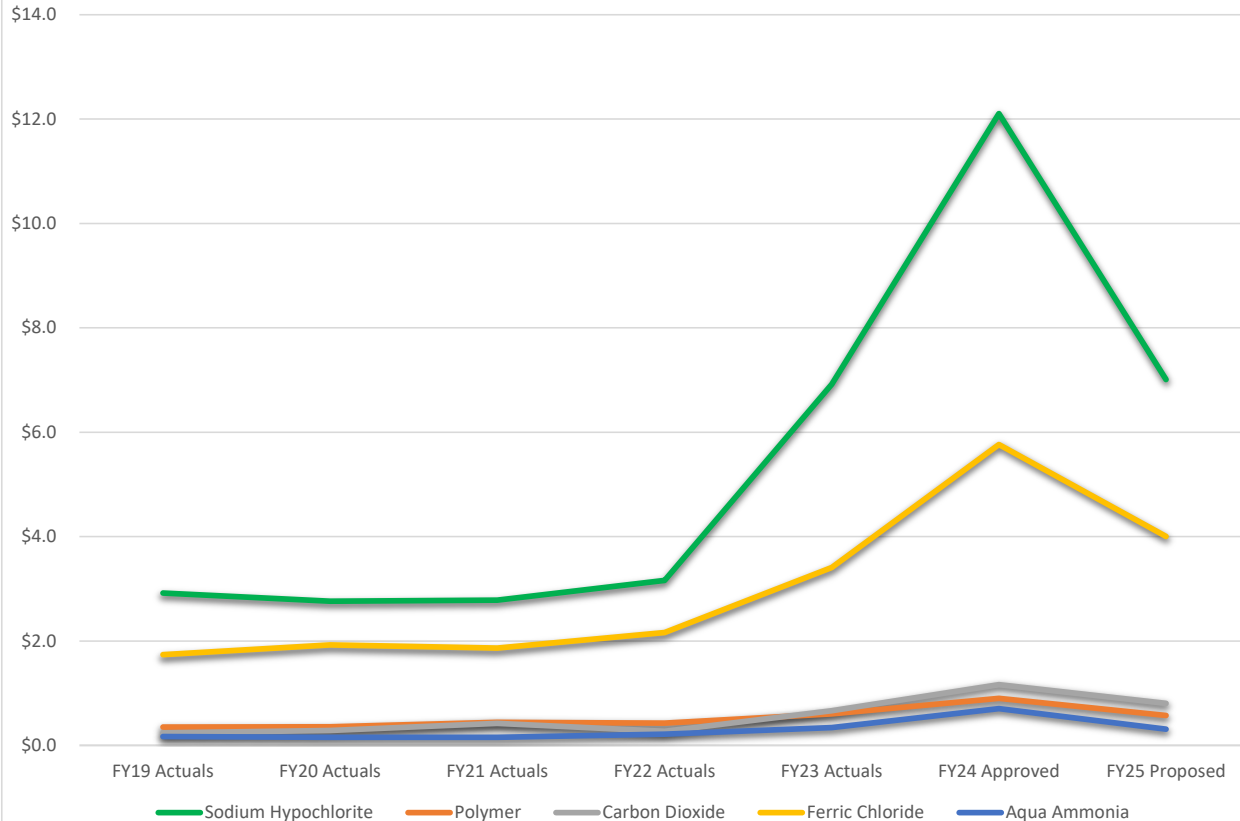


- **Direct Expenses:** Increase of \$4.7 million or 1.5% over FY24 driven by higher Wages & Salaries and Maintenance, offset by lower Chemicals.
- **Wages & Salaries:** Increase of \$7.9 million or 6.1% over FY24. Funds 1,167 FTEs (1,168 FTEs in FY24). Includes a Vacancy Adjustment (reduction) of \$4.0 million.
- **Maintenance:** Increase of \$5.0 million or 13.0% over FY24 driven by the CTG Control System Replacement of \$2.0 million and PICS HMI System Upgrade of \$1.0 million.
- **Chemicals:** Decrease of \$8.2 million or 29.1% from FY24 driven by reductions to Sodium Hypochlorite of \$5.1 million and Ferric Chloride of \$1.8 million, both due to favorable contract pricing.



FY25 Proposed CEB – Biggest Chemical Changes

Historical Chemical Costs (\$ in millions)



Top 5 Changes	\$ Change (in millions)	% Change
Sodium Hypochlorite	\$ (5.1)	-42.1%
Ferric Chloride	\$ (1.8)	-30.6%
Aqua Ammonia	\$ (0.4)	-55.4%
Carbon Dioxide	\$ (0.4)	-30.8%
Polymer	\$ (0.3)	-36.6%

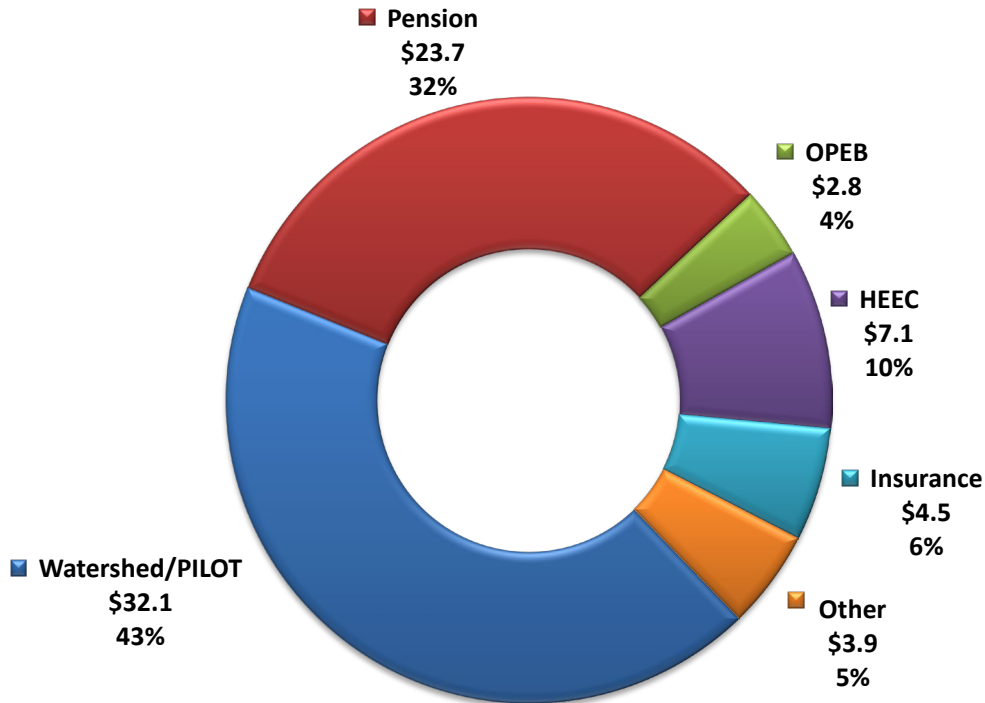
- Sodium Hypochlorite and Ferric Chloride are driving 83.5% of the reduction from FY24.
- Favorable contract pricing is driving the year-over-year reduction.
- Chemical quantities based on multi-year averages.



FY25 Proposed CEB – Indirect Expenses

Indirect Expenses by Category

(\$s in millions)



- **Indirect Expenses:** Increase of \$3.7 million or 5.3% over FY24 driven by higher Pension and Watershed Reimbursement, offset by lower Additions To Reserves.
- **Pension:** Increase of \$7.7 million or 48.5% over FY24. Includes Actuarially Determined Contribution (ADC) of \$16.1 million plus an additional \$7.7 million to assist with reaching full funding by 2030.
- **Watershed Reimbursement:** Increase of \$1.8 million or 5.8% over FY24 driven by higher Wages & Salaries and Fringe Benefits. Funds 150 FTEs, with no vacancy adjustment included.
- **Additions to Reserves:** MWRA's General Bond Resolution requires a balance of one-sixth of annual Operating Expenses. The Additions to Reserves for FY25 is \$2.1 million, a decrease of \$5.8 million or 73.6% from FY24.



FY25 Proposed CEB - Summary of MWRA Reserve Accounts

Under the terms of its General Bond Resolution, MWRA maintains two funds, Rate Stabilization and Bond Redemption, which are used to smooth rate increases. Monies in the funds come from year-end CEB surpluses. The amounts in the funds and the permitted and planned uses are discussed below. Amounts reflect FY23 year-end transfers.

Rate Stabilization - \$39.3 million. Under the terms of the General Bond Resolution, the annual use of Rate Stabilization monies cannot exceed 10% of the year's senior debt service. As part of the FY18 CEB, \$6.5 million was allocated to help mitigate the rate impact of the new cross harbor cable to DITP. Those funds were deposited into rate stabilization. The FY15 through FY20 Final CEB did not include the use of Rate Stabilization Funds. The FY21, FY22 and FY23 CEBs included the use of \$1.5, \$1.3 and \$1.0 million respectively in the HEEC reserve. The FY 24 CEB includes the use of \$0.3 million of the HEEC reserve. Planning estimates based on the FY24 Budget assume the use of \$4.5 million Rate Stabilization monies associated between FY24 and FY31.

Bond Redemption - \$26.1 million. Monies in the Bond Redemption Fund can be used only to retire or prepay outstanding debt. There is no annual limit on the amount of Bond Redemption funds used in a year. However, there are constraints based on bond maturity dates. The FY15 Final CEB included the use of \$6.7 million of bond redemption funds. The FY16, through FY24 CEB assumed no use of Bond Redemption. The FY24 planning estimates assume no withdrawals during the planning period which ends in FY33

In addition to the Rate Stabilization and Bond Redemption funds, MWRA maintains five funded reserves required by the terms of the General Bond Resolution: Debt Service, Operating, Insurance, and Renewal and Replacement. The amount in each reserve, the basis for determining the funding requirement and when a reserve can be used to reduce rate revenue requirements are discussed on the right:

Debt Service Reserve - \$169.6 million. This is MWRA's largest reserve, and is funded from bond proceeds. On August 4, 2015, MWRA released \$67.0 million from the debt service reserve fund as part of the amendments to the General Bond Resolution. On April 27, 2023, MWRA deposited \$12.5 million into the debt service result fund as part of the 2023 Series B and C transaction. The required balance is equal to 50% of the maximum annual debt service. The fund can be used to pay debt service when the amount for a specific debt series in the reserve is greater than the remaining debt service.

Operating Reserve - \$49.7 million. The required balance is one-sixth of operating expenses for a year. Based on the FY23 Final CEB, the required balance is \$49.7 million. The balance is projected to be \$57.6 million by the end of FY23.

Insurance Reserve - \$14.0 million. MWRA mitigates the budgetary risk of self-insurance by maintaining an insurance reserve. The reserve which was established as part of the Bond Resolution requires that an independent insurance consultant review the adequacy of the funding level every three years. The \$14 million level has been determined to be acceptable and reasonable based on the February 2023 Insurance Consultant review required by the General Bond Resolution. The next review will be completed in February 2026.

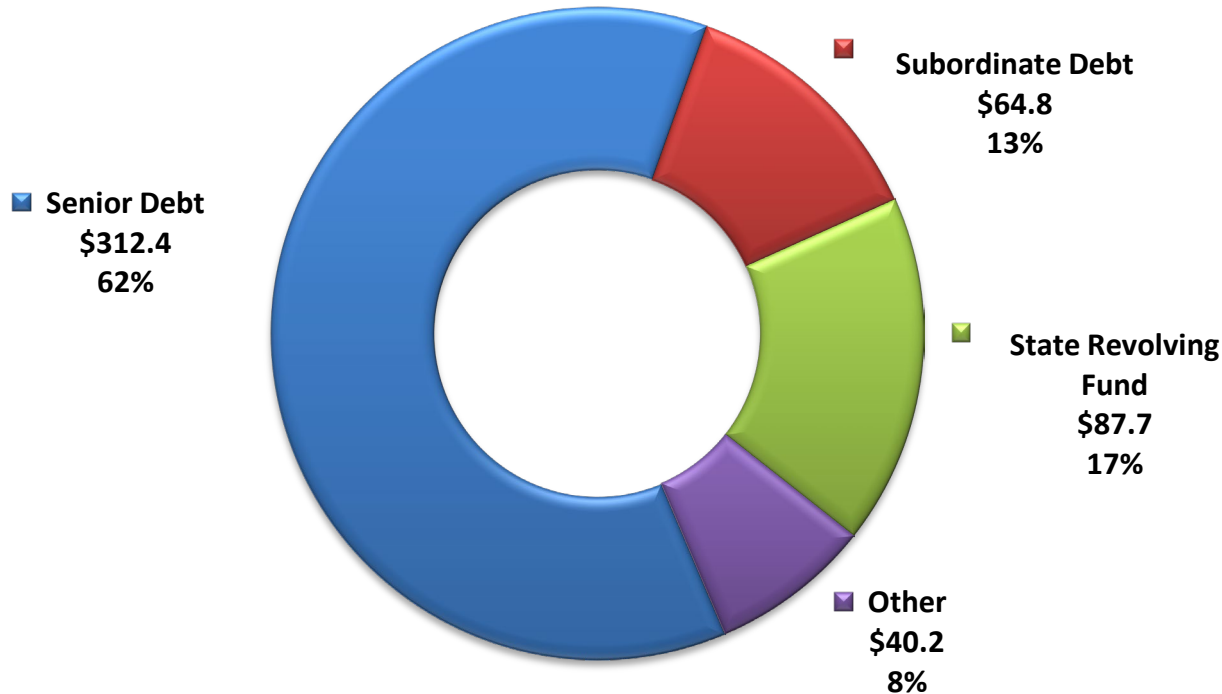
Renewal and Replacement Reserve - \$10.0 million. The required balance is set at \$10 million with the difference between the \$10 million and the required balance based on the triennial recommendation of a consulting engineer being available in short-term borrowing capacity. The current recommendation is \$35 million. MWRA's consulting engineer complete its triennial review of this reserve balance in 2020. The next review will be completed in October 2023.

CORE Fund

The CORE Fund was eliminated as part of the amendment to the General Bond Resolution.



Capital Finance by Category (\$s in millions)

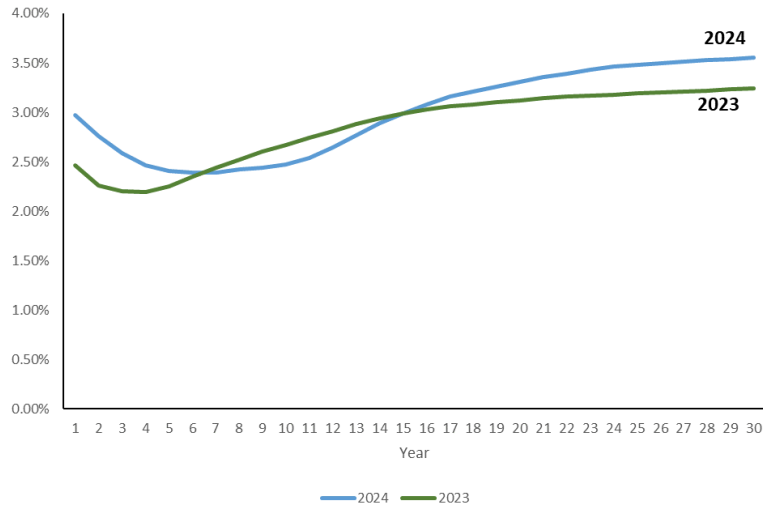


- **Capital Finance:** Increase of \$17.4 million or 3.6% over FY24 driven by the structure of new and existing debt.
- **Variable Interest:** Assumes a rate of 4.75% (no change from FY24).
- **Defeasance:** Includes a \$15.0 million defeasance benefitting FY25-28.

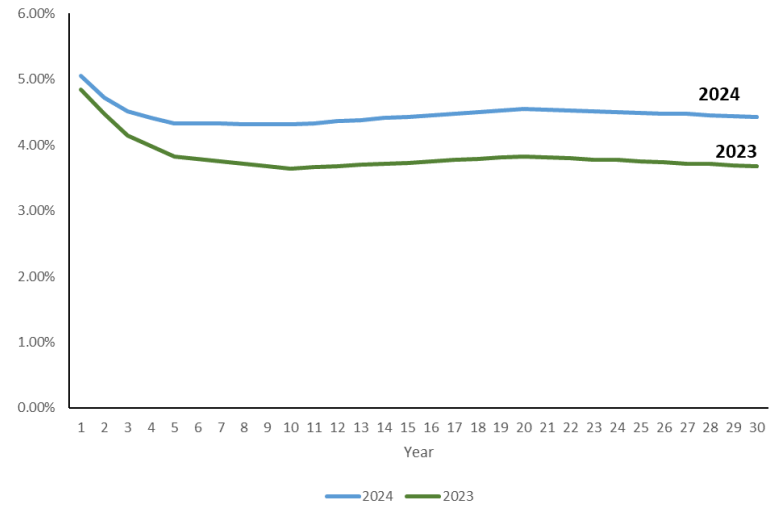


FY25 Proposed CEB - Long-Term Interest Rates

Tax Exempt Interest Rates



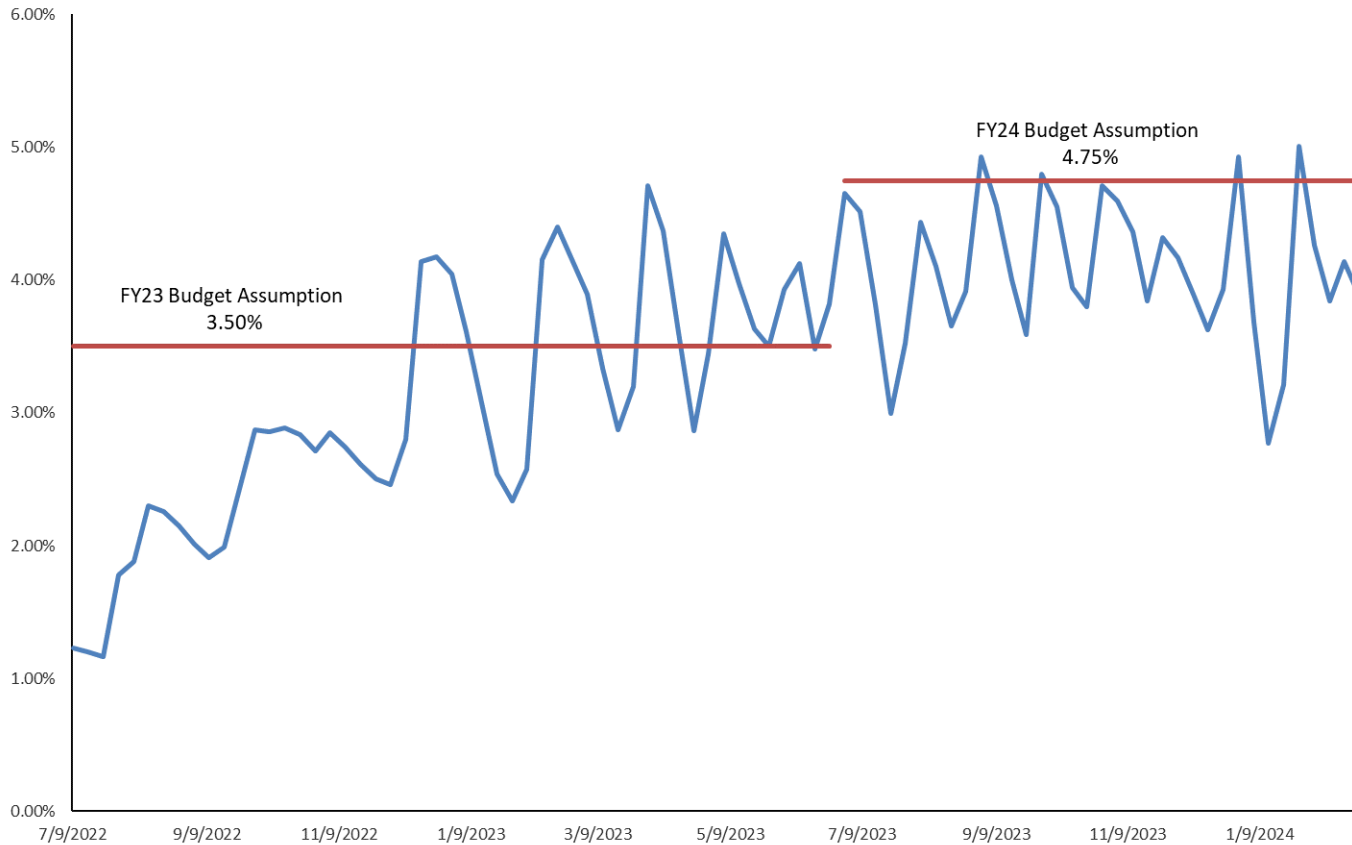
Taxable Interest Rates





FY25 Proposed CEB - Short-Term Tax-Exempt Interest Rates

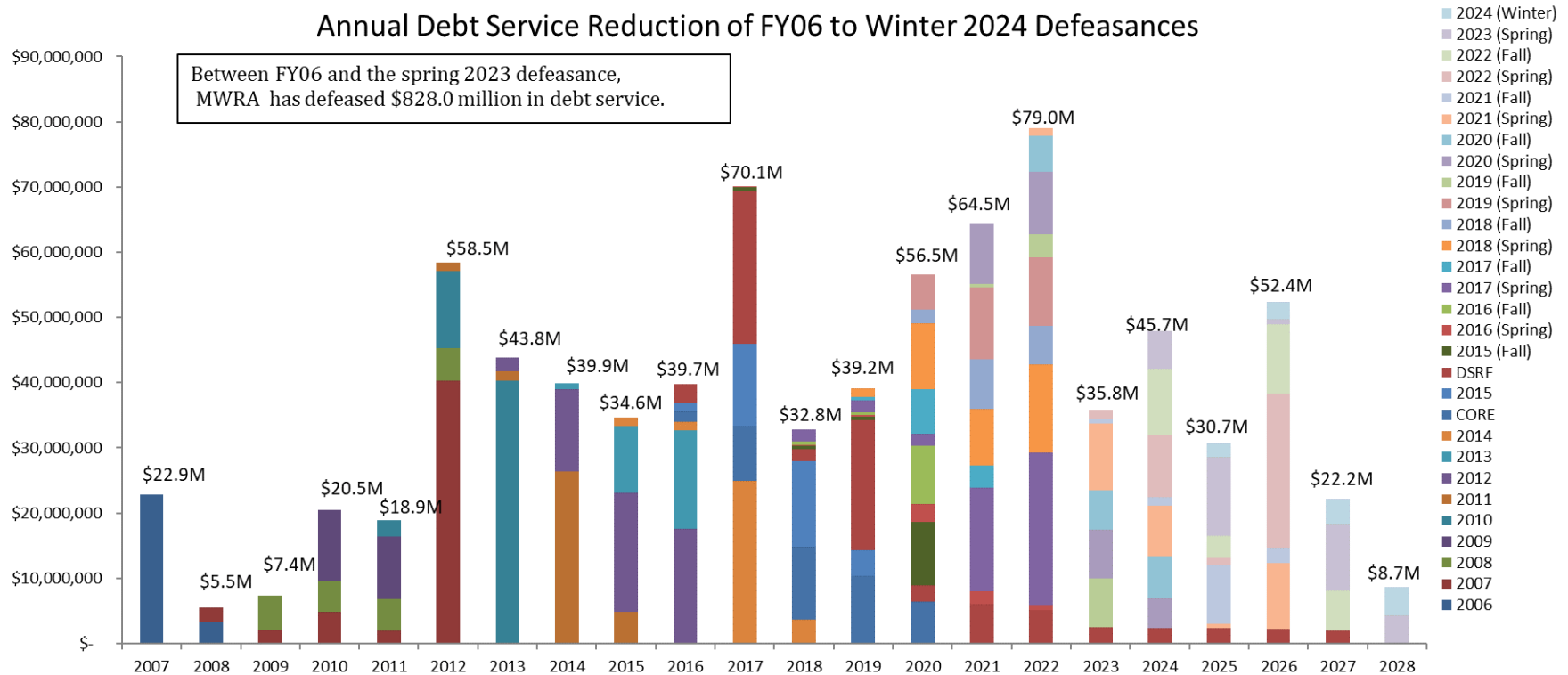
MWRA All-In Variable Rate Debt Cost





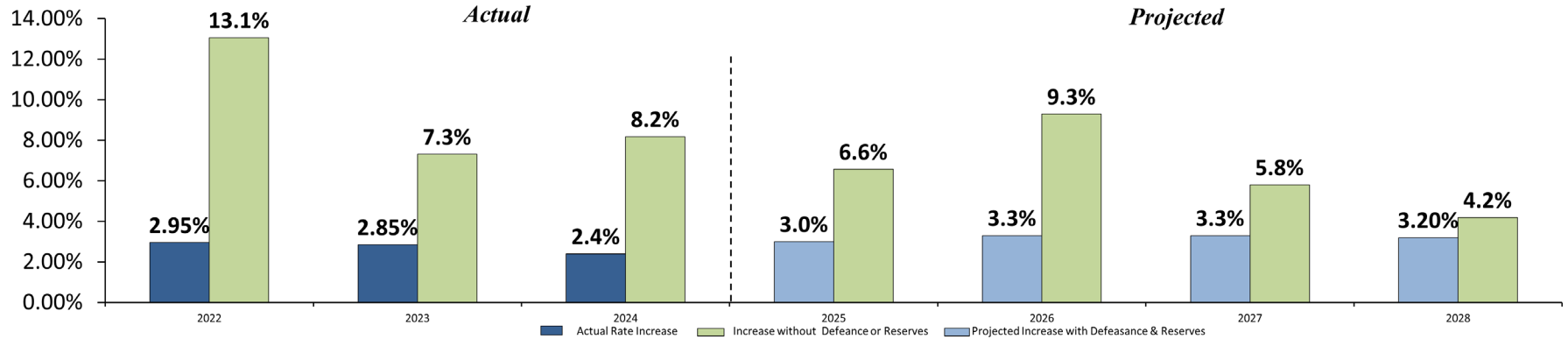
FY25 Proposed CEB - Defeasance History

Annual Debt Service Reduction of FY06 to Winter 2024 Defeasances





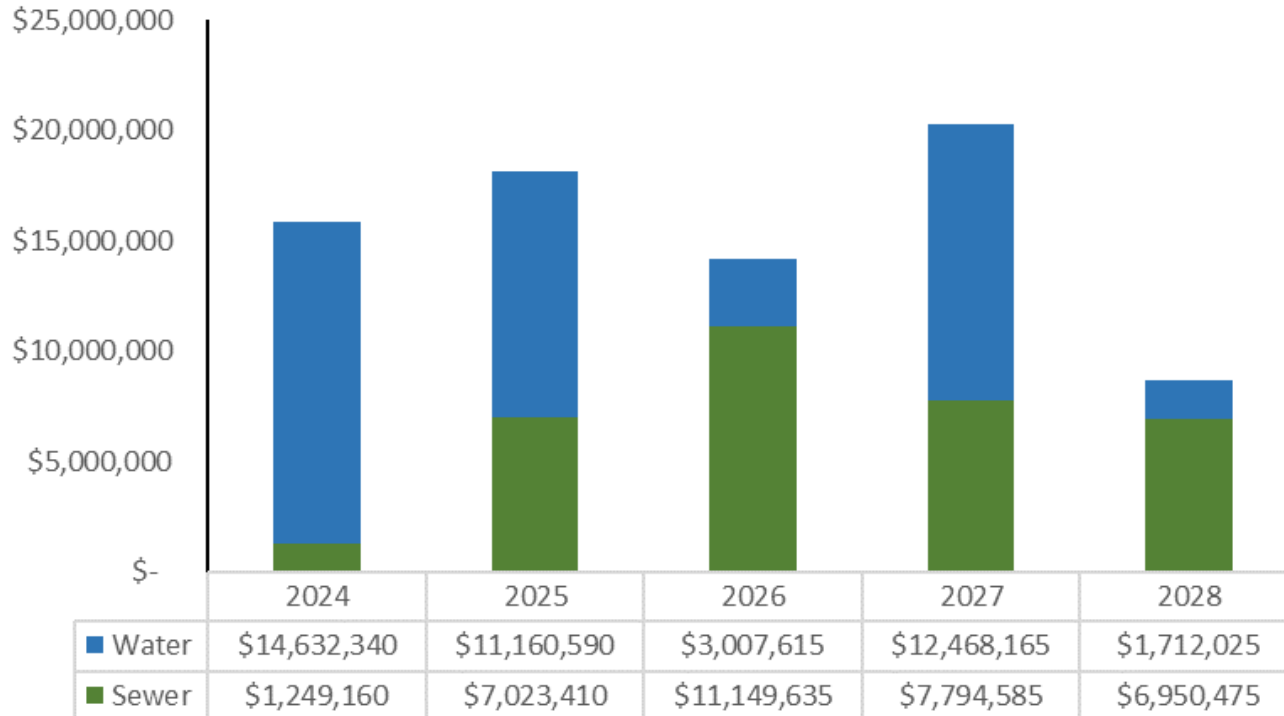
FY25 Proposed CEB - Defeasance Impact





FY25 Proposed CEB - Defeasance Sewer/Water Split

Sewer/Water Defeasance Split

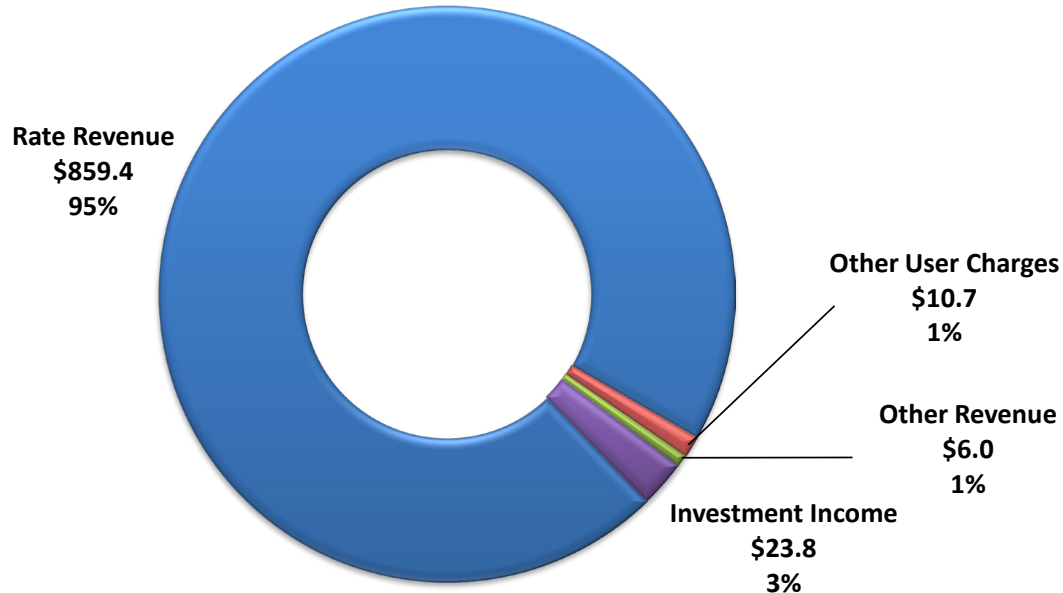




FY25 Proposed CEB – Revenue by Category

Revenue

(\$s in millions)

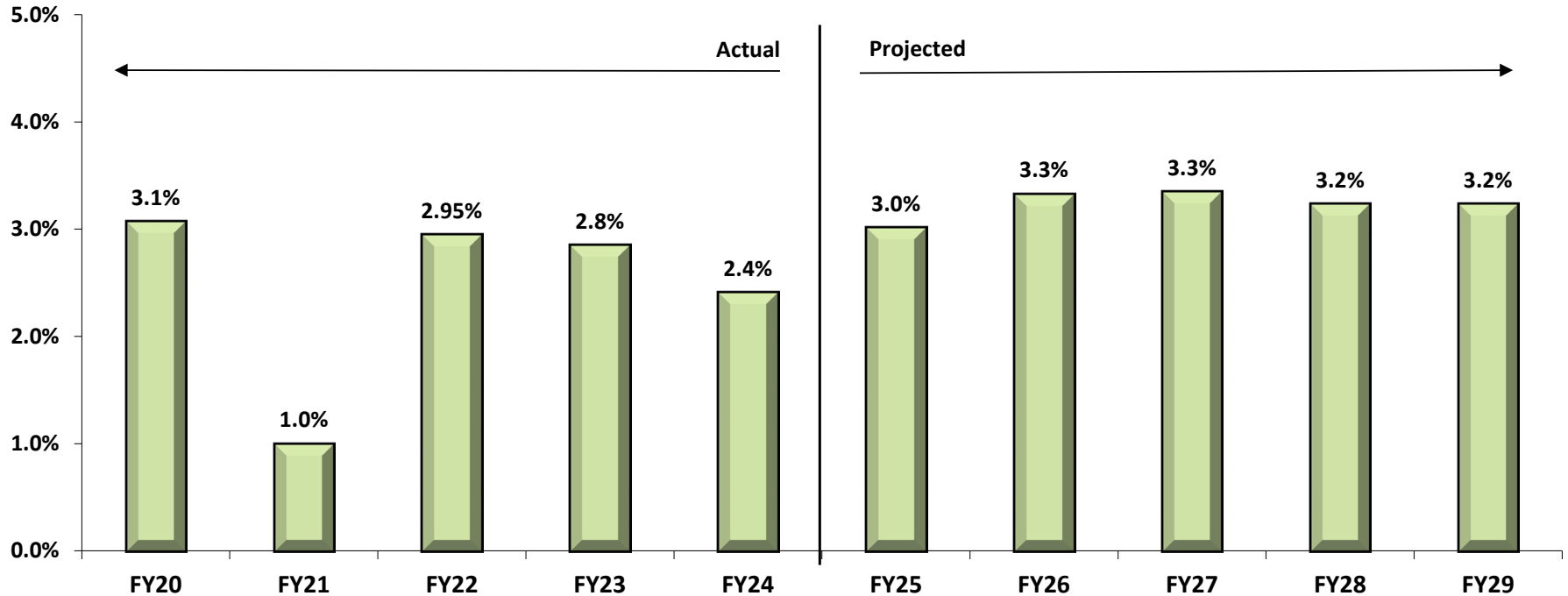


- **Total Revenues:** Increase of \$25.7 million or 2.9%.
- **Rate Revenue:** Increase of \$25.2 million or 3.0% over FY24 (previously projected at 3.4%).
- **Investment Income:** Short-term interest projected at 4.25% (no change from FY24).
- **Rate Stabilization:** No planned usage in FY25.



FY25 Proposed CEB – Rate Projections (Combined)

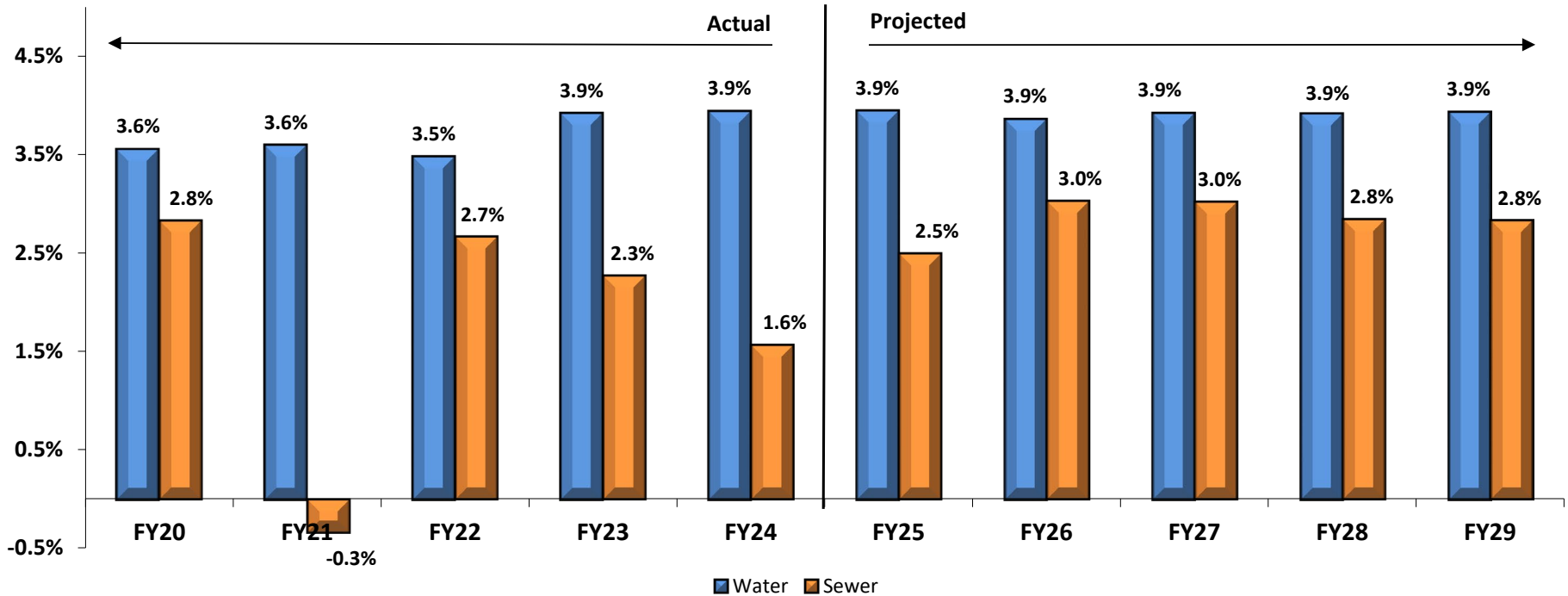
**MWRA Combined Utilities
Historical and Projected Rate Revenue Changes**





FY25 Proposed CEB – Rate Projections (By Utility)

MWRA Water & Sewer Utilities Historical and Projected Rate Revenue Changes





**MWRA Fiscal Year 2025
Proposed
Capital Improvement Program**



FY25 Proposed CIP – Baseline Cap vs. FY25 Proposed Cap

FY24-28 Baseline CAP		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	\$288.2	\$357.9	\$313.5	\$349.8	\$349.1	\$1,658.5
	Metropolitan Tunnel	\$14.4	\$25.2	\$23.9	\$23.9	\$78.6	\$166.2
	I/I Program	(42.9)	(41.5)	(27.5)	(28.4)	(34.2)	(174.5)
	Water Loan Program	(14.1)	(10.9)	(5.0)	(2.6)	8.6	(24.0)
	MWRA Spending	\$245.6	\$330.8	\$304.9	\$342.8	\$402.2	\$1,626.3
	Contingency	15.2	21.8	20.7	23.6	31.7	113.0
	Inflation on Unawarded Construction	1.9	8.1	12.2	22.1	36.1	80.4
	Chicopee Valley Aqueduct Projects	(0.3)	(0.5)	0.0	0.0	0.0	(0.8)
	Projected Spending before Adjustment	\$262.4	\$360.2	\$337.8	\$388.5	\$469.9	\$1,818.9
Spend Rate Adjustment (25%)*	(65.6)	(90.1)	(84.5)	(97.1)	(117.5)	(454.7)	
FY24 Final FY24-28 Spending	\$196.8	\$270.2	\$253.4	\$291.4	\$352.5	\$1,364.2	

FY25 Proposed CAP		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	\$251.3	\$354.3	\$331.1	\$350.3	\$398.2	\$1,685.2
	Metropolitan Tunnel	\$12.8	\$23.0	\$37.0	\$39.8	\$67.9	\$180.4
	I/I Program	(31.6)	(48.6)	(29.8)	(28.5)	(34.5)	(173.1)
	Water Loan Program	(52.5)	(10.3)	(2.8)	9.6	14.8	(41.2)
	MWRA Spending	\$180.0	\$318.3	\$335.5	\$371.2	\$446.3	\$1,651.3
	Contingency	10.8	20.5	22.7	25.3	30.8	110.1
	Inflation on Unawarded Construction	0.0	3.2	7.8	16.5	30.6	58.1
	Chicopee Valley Aqueduct Projects	0.0	(0.5)	(0.3)	0.0	0.0	(0.8)
	Projected Spending before Adjustment	\$190.8	\$341.6	\$365.8	\$413.0	\$507.8	\$1,818.9
Spend Rate Adjustment (25%)*	(47.7)	(85.4)	(91.4)	(103.2)	(126.9)	(454.7)	
FY25 Proposed FY24-28 Spending	\$143.1	\$256.2	\$274.3	\$309.7	\$380.8	\$1,364.1	

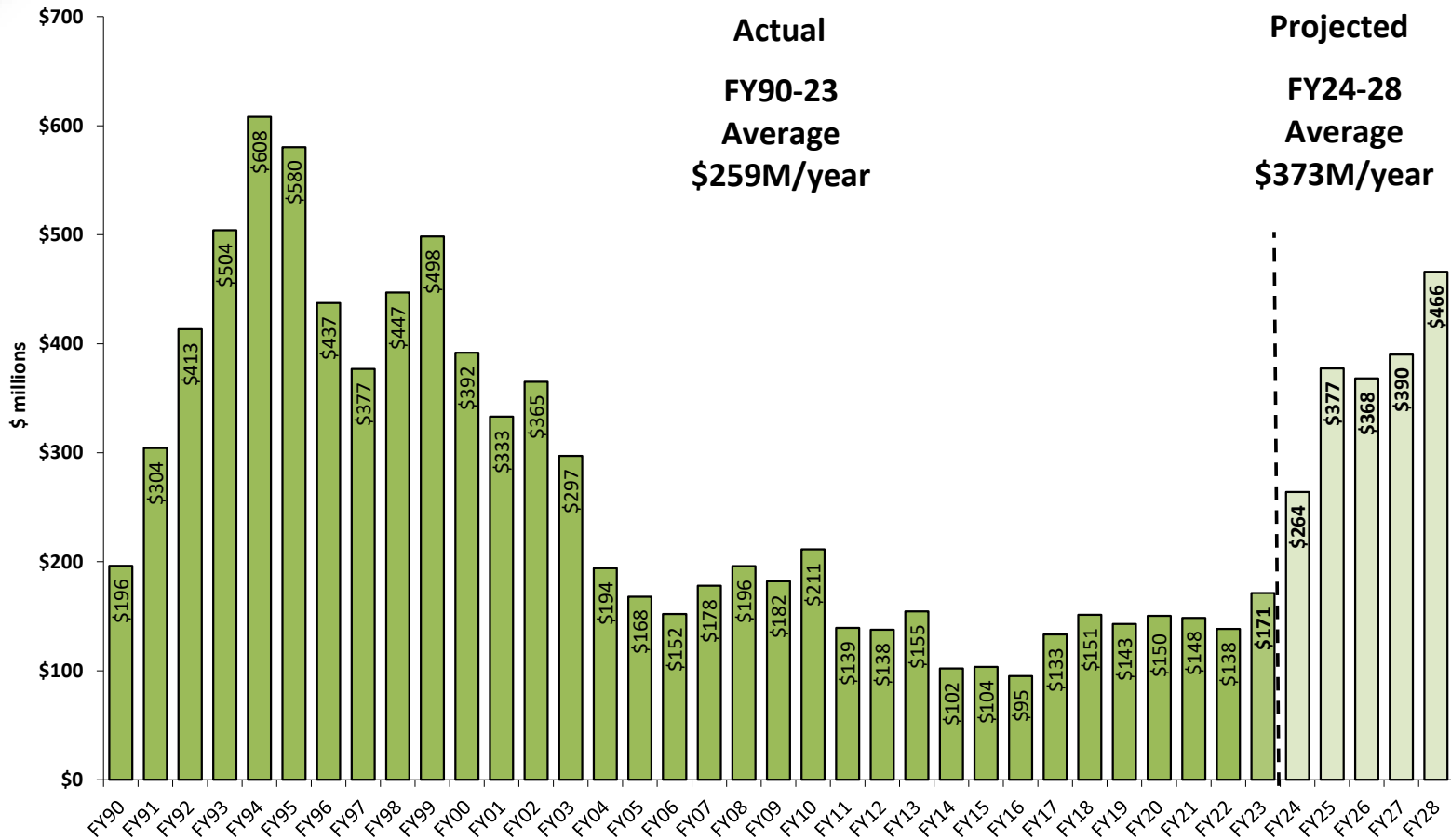


FY25 Proposed CIP – Top Spending Subphases Excl. Community Loans in FY24-28

Project	Subphase	FY24-FY28 \$s in Millions
Deer Island Treatment Plant Asset Protection	Clarifier Rehab Phase 2 - Construction	\$224.0
Metro Tunnel Redundancy	Final Design/ESDC	70.5
NHS - Revere & Malden Pipelines	CP-1 Section 53 Connection-Construction	55.5
Deer Island Treatment Plant Asset Protection	SSPS VFD Replace Construction	55.5
Facility Asset Protection	Ward St Headworks Construction	44.3
Facility Asset Protection	Prison Point Rehab Repackaged	38.7
Metro Tunnel Redundancy	Admin Legal & Public Outreach	35.5
NIH Redundancy & Storage	NIH Storage - Construction	34.0
Deer Island Treatment Plant Asset Protection	Combined Heat & Power - Construction	33.5
Deer Island Treatment Plant Asset Protection	Fire Alarm System Replacement - Construction	31.0
Top 10 Spending Subphases Excl. Community Loans in FY24-28		\$622.5
% of FY24-28 Spending		33.4%
FY24-28 Spending		\$1,865.6



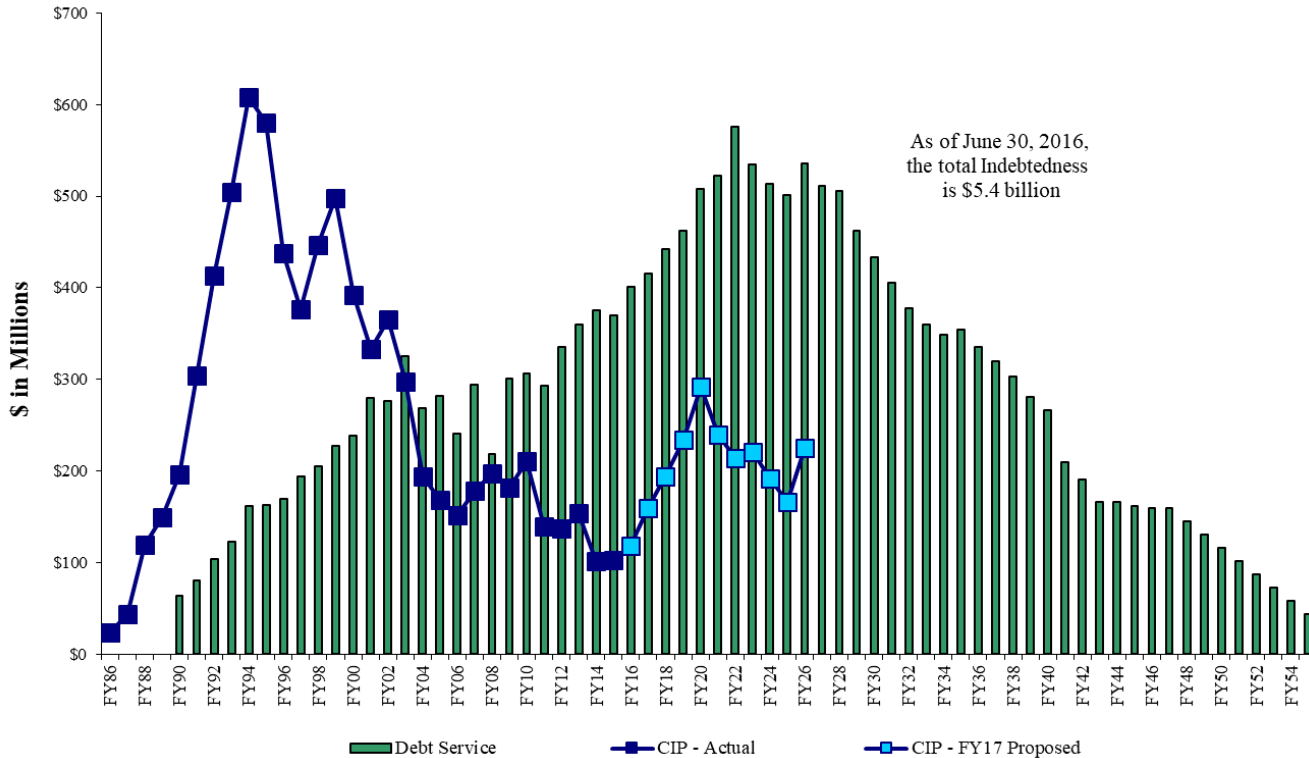
FY25 Proposed CIP – Historical and Projected Spending





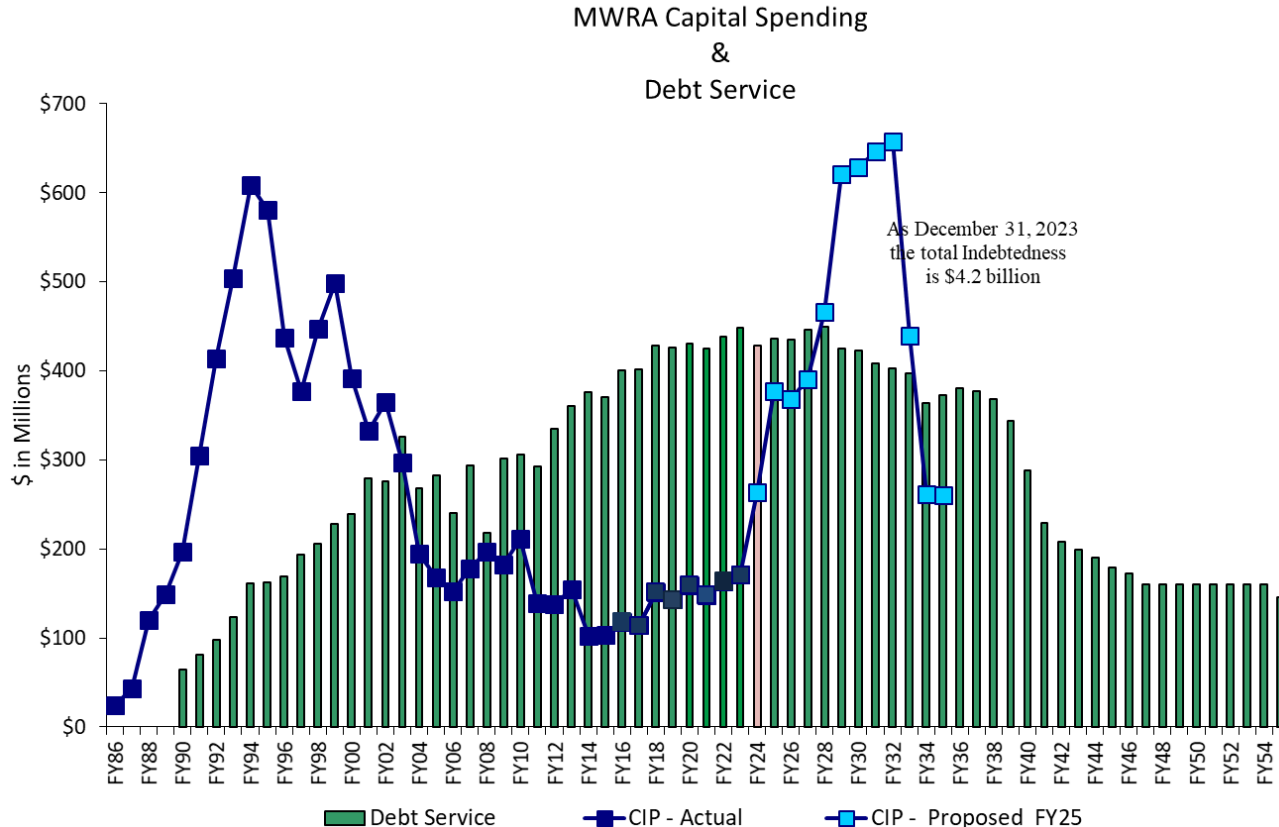
Capital Finance Projection -2016

MWRA Capital Improvement Spending & Debt Service





Capital Finance Projection - Current





FY25 Proposed CEB/CIP – Next Steps

- Spring Revisit Process
- Provide briefings to Advisory Board Staff
- MWRA Public Hearing in April
- MWRA Board Hearing in May
- Staff anticipate FY25 Budget adoption in June