



THE GREEN SHEET

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STRIVING FOR SUSTAINABLE & PREDICTABLE RATES

Water and sewer rate revenue requirements are projected to rise by \$200 million between FY07 and FY11, resulting in community increases of almost 9% each year. Nearly 60% of the current expense budget is fueled by debt service payments. In the face of these conditions, the Advisory Board recommended the following action plan to the Authority:

- ❖ Create a Rates Management Committee.
- ❖ Revisit the levels of reserves as required in the bond covenants.
- ❖ Develop a debt restructuring plan.

STEPS TAKEN

- ❖ The Authority convened a Rates Management Committee comprised of Members of the Board of Directors, the Chairman of the Advisory Board, and staff members from MWRA and the Advisory Board, in consultation with the Authority's Financial Advisor.
- ❖ The Authority revisited amendments to existing Bond Covenants which resulted in:
 - Reducing the Debt Service reserve to 50% of maximum annual debt service.
 - Eliminating the Community Obligation Revenue Enhancement (CORE) Fund.
 - Replacing a portion of the Renewal and Replacement Fund with Commercial Paper. These changes become effective in 8 to 10 years and will free up \$172 million, which could be used to pay down debt or fund new capitol projects.
- ❖ In mid-January, the Authority restructured \$648 million of existing debt. The restructuring will address rate pressures before covenants take hold.

RESULTS

These proactive actions by the MWRA will establish a path toward achieving sustainable and predictable rates. Rate increases, projected to be close to 9% in the coming years, will be contained to an estimated 5.8% (assuming continued receipt of \$18.75 million in Debt Service Assistance). Additionally, this path will:

- ❖ Provide \$200 million in new borrowings to fund the Authority's ongoing capital budget.
- ❖ Reduce charges by approximately \$425 million over the next ten years.
- ❖ Provide \$4.9 million in present value savings.
- ❖ Maintain and affirm bond ratings from Fitch, Moody's and Standard & Poor's, even while restructuring debt and changing covenants.

The combined borrowing of \$848 million is the largest bond issue in the Authority's 20-year history. The true interest cost was 4.34%.

MWRA ADVISORY BOARD

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