

STATUS OF MWRA BUDGETS THROUGH MAY 1993

FY93 Current Expense Budget

Spending through eleven months of FY93 totaled \$291.0 million, or 92.9% of the \$313.45 million budgeted for the period.

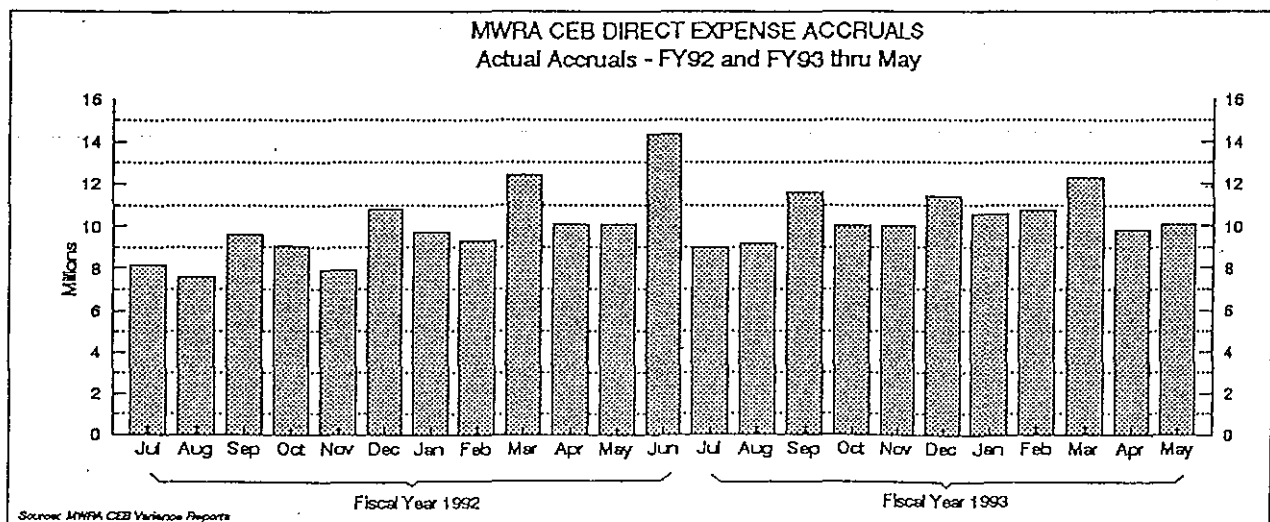
**Direct expenses** accounted for just over 25% or \$5.9 million of the \$22.4 million variance. Regular Pay, at \$2.1 million under budget, is partially offset by spending for temporary help that is \$0.4 million over budget. As of the end of May, authorized positions had been reduced to 1,752 from the 1,790 authorized positions as of the start of FY93; one more position remains to be eliminated to reach the target of 1,751 by June 30.

Unbudgeted pension expense of \$1.0 million is partially offset by \$0.39 million in less than budgeted spending for health, dental, and unemployment insurance. Workers' compensation payments are \$2.3 million over the amount budgeted, reflecting a one-time accounting adjustment.

Maintenance spending is \$2.3 million under budget, due principally to \$1.2 million in less than budgeted spending for sewer interceptor system repair. Spending for Professional Services is nearly \$2.0 million below budgeted amounts, largely in the Deer Island, Environmental Quality, and TRAC departments. Other Services spending is nearly \$1.7 million under the amount budgeted for the period, including more than \$1.4 million less than budgeted for the operation of the pelletizing plant.

**Indirect expenses** are more than \$16.5 million less than budgeted. Debt service payments are \$16.8 million under budget, reflecting principally savings associated with the postponed spring bond issue. On the other hand, payments in lieu of taxes (PILOT) to the watershed communities are more than \$275,000 greater than the amount budgeted for the period.

On June 1, the Authority settled the issue of \$72 million in bond anticipation notes and made payment to the Commonwealth of \$80 million, as required in the state's FY93 budget. In support of the \$80 million payment, the Authority anticipates accruals of \$8.5 million for FY93.



## FY93 Capital Improvement Program

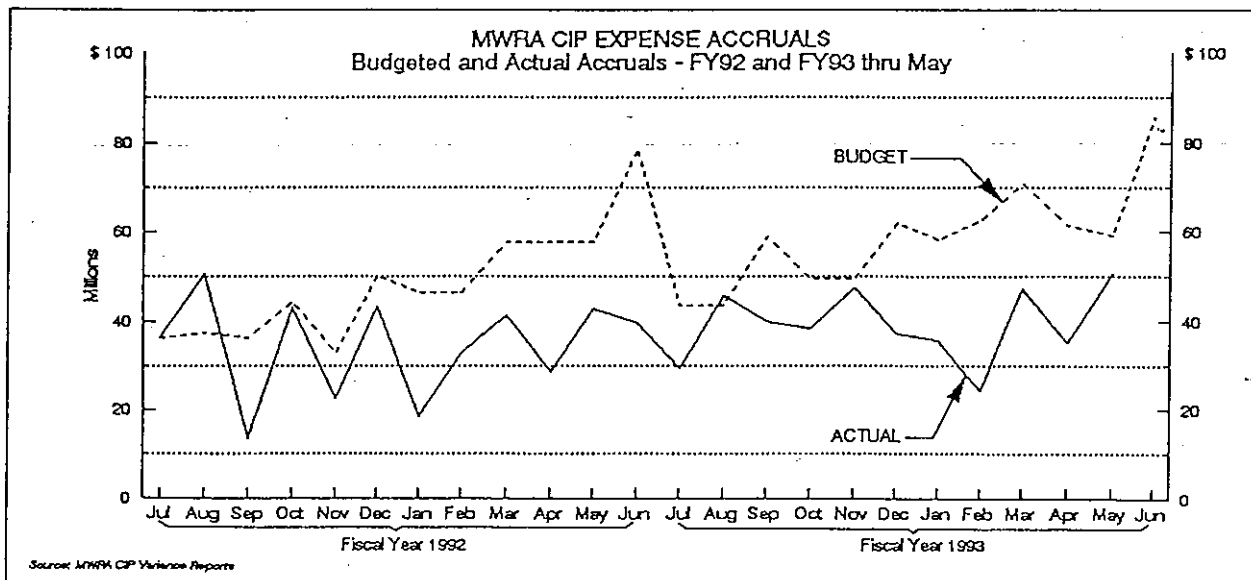
Accrued spending through May 22nd totaled \$430.4 million. Using the Authority's revised Capital Improvement Program budget, the year-to-date under budget variance was \$189.4 million, or 30.5% of the \$619.8 million budgeted through the period. Spending for May was \$50.6 million.

The Deer Island group of projects contributed an under budget variance of \$139.2 million. One third of that amount, \$45.5 million, is related to the slower than expected progress of the tunnel boring machine (TBM) in drilling the extended outfall tunnel. The TBM continues to experience sporadic stoppages. Lower than projected year to date spending has also been experienced on several other Deer Island projects, including the egg shaped digesters, the administration/laboratory building, the disinfection facility, and the inter-island tunnel. The pace of spending is expected to increase this summer.

Other projects have contributed to the year-to-date under budget variances. Among them are the New Neponset Valley sewer relief project and the Framingham extension relief sewer, as well as the seventh construction phase of the Wellesley extension replacement sewer.

### **Construction Fund Balance**

The construction fund balance as of May 22nd was \$424.2 million. The Authority's most recent published projection of the fund balance by June 30, 1993 is \$275.3 million, for a cash expenditure projection (without other grant or loan receipts) of \$148.9 million, equivalent to \$3.82 million per day. However, given the rate of expense accruals which can be expected in June, the final construction fund balance is likely to be at least \$330 million.



## FACT SHEET

### MWRA ADVISORY BOARD RECOMMENDATIONS ON MWRA'S PROPOSED CURRENT EXPENSE BUDGET FOR FY94

The MWRA is proposing an operating budget, for the year starting this July, of \$396.1 million. While some the revenue to support this budget comes from interest income, fees, and fines, most the revenue will have to be raised from rates: 87% or \$345.5 million. This amount represents an increase of 18.9% from the wholesale rates charged to the member communities in FY93. The Advisory Board's recommendations total over \$20 million in reductions which would bring the rate increase to 12%.

Over half the budget supports financing costs associated with the MWRA's enormous capital program, particularly borrowing to support the Boston Harbor Clean-up. The Authority proposes a budget of \$209.3 million to meet principal and interest payments on existing and new debt, repay loans, and meet other financing requirements. The Advisory Board has updated these figures and reviewed the assumptions behind these proposals, and has recommended reductions totaling nearly \$10.6 million in planned debt service spending based on more current projections of capital spending and revised borrowing schedules.

The Authority proposes a multi-year, multi-million dollar program to replace main line valves in the water system. The Twenty-Year Waterworks Master Plan indicates that the program will occur over a thirteen-year period for an estimated cost of \$15 million. Estimates for FY94 spending are put at \$3.0 million. The Advisory Board recommends, given the extended schedule and cost of the program plus other factors such as system hydraulics, construction schedules, and the need for coordination with municipalities, the transfer of the program to the capital budget.

About one-fifth of the Authority's budget supports labor costs. The Authority proposes to create 138 new positions, including 97 new positions at the Deer Island plant in preparation for start-up of the new primary plant in the spring of 1994 and 29 new positions for the Centralized Laboratory. The increase is partially offset by the proposed deletion of 43 existing positions. The Advisory Board recommends the reduction of 7 of the new positions and 25 existing positions. These and other recommendations including different assumptions for vacancy rates total reductions of \$3.99 million, over half the Authority's proposed increase.

The Advisory Board has reviewed the Authority's 50 programs for water, sewer, and various administrative services, and has made a total of nearly 150 recommendations. The Advisory Board recommends a budget reduction of nearly \$1 million for the pelletizing plant, based on revisions and updates to assumptions for plant operation. All other program budgets -- independent of labor costs, the Deer Island and Nut Island treatment program, the expanded Central Laboratory program, as well as the main line valve and pelletizing programs -- have increased no more than 6% over the FY93 budget. The Advisory Board's recommendations for all other programs come to \$1.5 million, or 5% of that 6%, including recommendations to reduce requests for vehicles, travel, overtime, printing, and outside professional services.

Proposed and Adjusted FY94 Current Expense Budget

	MWRA Proposed Budget	Advisory Board Adjusted Budget	Advisory Board Changes
<b>DIRECT EXPENSES</b>			
Wages and Salaries	\$73,054,683	\$69,063,489	(\$3,991,194)
Overtime	3,306,070	3,272,930	(33,140)
Fringe Benefits	8,220,135	8,219,675	(460)
Workers' Compensation	1,916,640	1,816,640	(100,000)
Chemicals	6,182,559	6,103,159	(79,400)
Utilities and Energy	11,122,336	11,097,336	(25,000)
Maintenance	14,102,424	10,515,624	(3,586,800)
Training and Meetings	998,320	845,120	(153,200)
Professional Services	8,532,727	8,324,827	(207,900)
Other Materials	4,176,342	3,896,465	(279,877)
Other Services	18,911,055	17,829,094	(1,081,961)
<b>Subtotal</b>	<b>\$150,523,291</b>	<b>\$140,984,359</b>	<b>(\$9,538,932)</b>
<b>INDIRECT EXPENSES</b>			
Insurance	\$1,717,200	\$1,717,200	\$0
Watershed Reimbursement	9,646,000	14,000,000	4,354,000
Mitigation	6,070,000	6,070,000	0
Beco Payment	6,935,000	6,935,000	0
Debt Service	209,332,462	198,777,068	(10,555,394)
Additions to Reserves	10,131,000	8,415,760	(1,715,240)
Retirement Fund	1,000,000	1,000,000	0
Inventory Adjustment	750,000	0	(750,000)
<b>Subtotal</b>	<b>\$245,581,662</b>	<b>\$236,915,028</b>	<b>(\$8,666,634)</b>
<b>TOTAL EXPENSES</b>	<b>\$396,104,953</b>	<b>\$377,899,387</b>	<b>(\$18,205,566)</b>
<b>NON-RATE REVENUE AND INCOME</b>			
Other Charges	\$1,349,312	\$1,349,312	\$0
Fees	360,852	360,852	0
TRAC Fees	0	1,275,000	1,275,000
Penalties	375,000	375,000	0
Comm. Reimbursements	902,500	902,500	0
Miscellaneous	330,000	330,000	0
Interest Income	34,176,000	34,741,091	565,091
TRAC Grant	158,545	158,545	0
Rate Stabilization	13,000,000	13,000,000	0
<b>Subtotal</b>	<b>\$50,652,209</b>	<b>\$52,492,300</b>	<b>\$1,840,091</b>
<b>RATE REVENUE REQUIREMENT</b>	<b>\$345,452,744</b>	<b>\$325,407,086</b>	<b>(\$20,045,658)</b>
<b>% increase from FY93</b>	<b>18.92%</b>	<b>12.01%</b>	
<b>Note: State debt service assistance of \$20 million is the equivalent of an additional 6.9% reduction to proposed rate increases; \$30 million, 10.3%.</b>			