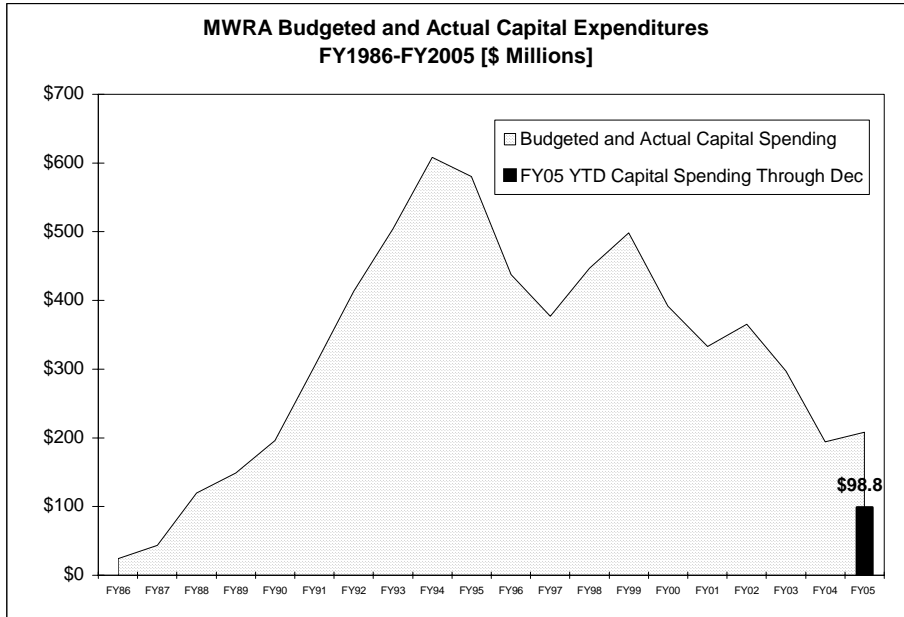


STATUS OF MWRA BUDGETS

FY 2005 Second Quarter Update (through December 2004)



FY05 Capital Improvement Program and Budget



Through December 2004, accrued spending on the capital program came to \$98.8 million, within \$0.3 million of the \$98.5 million budgeted for the six-month period (net of contingency fund allowances). Capital spending continues its downward trend with year-end spending now projected to be \$201.5 million, just \$6 million more than the FY04 total of \$194 million and \$5 million more than the FY1990 total of \$196 million.

Just over half of all spending for the year-to-date, \$51.6 million, has been for the **Wastewater**

program, 2% below the \$53.1 million budgeted. **Waterworks** spending has totaled \$46.0 million, 10% more than the \$41.8 million budgeted for the period. The remaining \$1.2 million has been for **Administrative** projects.

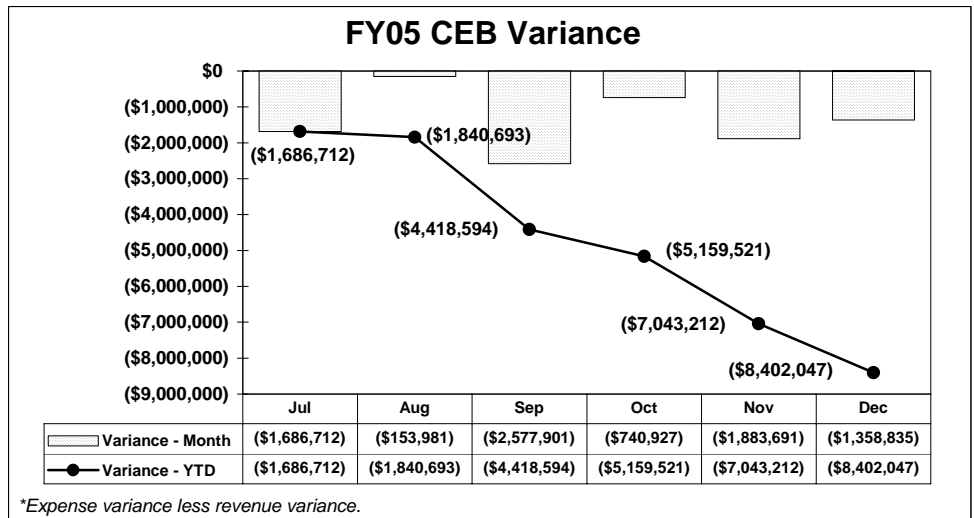
The largest category of spending continues to be the CSO Control Program. Spending through the second quarter came to \$25.6 million, \$7.9 million (or 23%) below the \$33.5 million anticipated to be spent on *Authority managed projects* or distributed to Cambridge or Boston for *community managed projects*. The Authority has budgeted \$68.6 million for the CSO Control Program in FY05. Spending on Wastewater Interception and Pumping projects totaled \$14.1 million for the year to date, including \$8.8 million for the *Braintree-Weymouth Relief Facilities* project and \$2.9 million for the *Wastewater Metering System Equipment Replacement* project. *Deer Island Optimization* and *Asset Protection* project spending came to \$4.75 million, within 15% of the \$5.6 million budgeted; and distributions under the *Local Financial Assistance Program* reached \$8.77 million (less \$2.22 million in repayments).

The largest areas of **Waterworks** spending for the year-to-date include \$14.1 million for the nearly completed *Walnut Hill Water Treatment Plant*; total spending on this project has reached \$343.9 million. Work continues at the *Norumbega Covered Storage Reservoir*, with \$2.2 million in spending this fiscal year; total spending for this project reached \$102.8 million. The Authority has accrued \$12.9 million for Distribution and Pumping projects so far this fiscal year, including \$4.4 million for the *Southern Spine Distribution Mains* and \$4.3 million for the *Weston Aqueduct Supply Mains*. Distributions under the *Local Water Pipeline Improvement Loan Program* have totaled \$16.6 million through December (less \$3.75 million in repayments).

The **Construction Fund balance**, as of the end of December, stood at \$103.7 million, with year-to-date spending of \$101.4 million (on a cash basis). The Authority has received \$76.9 million through the SRF program.

FY05 Current Expense Budget

Accrued spending through December 2004 reached \$231.1 million, \$11.65 million (4.8%) below the \$242.7 million budgeted for the period. Revenue came to \$243.7 million, \$3.2 million lower than the \$247 million budgeted due to lower billings to the communities, which are offset by debt service assistance receipts. The variance between lower expense spending less the shorter revenue totals \$8.4 million.



The primary contributors to the lower spending are lower Direct Expense spending of \$3.9 million, lower Debt Service expense of \$3.1 million, and greater Investment Income of \$1.1 million.

Direct Expense accruals came to \$81.3 million for the six-month period, \$3.9 million (4.6%) below the \$85.2 million budgeted. Spending is within \$0.32 million of the \$80.96 million in Direct Expense spending for the same period one year ago. Lower *Wages and Salaries* expense, as well as lower spending on *Professional Services* and *Other Services*, is offset by increased spending for *Fringe Benefits*, *Chemicals*, *Utilities* and *Maintenance*, as compared to FY04.

Just over 55% (\$45.2 million) of all Direct Expense spending is for *Labor-Related* expense. Lower spending (as compared to a year ago) on *Wages and Salaries*, *Overtime* and *Workers' Compensation* have contributed to the decline in Labor-Related expense as a percentage of total Direct Expenses (from 57% one year ago). Filled positions as of the end of December 2004 number 1,274.

Nearly every category of Direct Expense spending is running below budgeted amounts. The second largest category of spending, after Personnel, is *Other Services*, budgeted at \$21.5 million. Year-to-date spending is \$10.8 million, 2.3% below the \$11.1 million budgeted. Nearly half of this category of expense (\$10.8 million) is for *Sludge Pelletization*, for which year-to-date spending reached \$5.4 million.

The next largest category is *Maintenance* expense, budgeted at \$19.75 million; spending for the year to date is \$8.8 million, 7.7% below the \$9.5 million budgeted. Maintenance expense for the Field Operations Department totaled \$2.4 million and nearly \$4.5 million for the Deer Island Wastewater Treatment Plant.

Utilities expense is budgeted at \$19.15 million. Spending for the year to date reached \$8.6 million, 4% below the \$8.95 million budgeted. *Electricity* amounted to \$7.3 million of the expense to date, of which \$4.7 million was for Deer Island operations and \$2.1 million was for Field Operations.

Indirect Expenses totaled \$149.8 million through December, 4.9% below the \$157.5 million budgeted. Lower *Debt Service* expense is the primary reason for the below budgeted spending, at \$132.8 million as compared to the \$140.3 million budgeted. Lower *Variable Rate Debt Service* expense accounts for \$3.8 million of the lower spending, due to interest rates that are lower than assumed in the budget. Accruals for *Debt Service Assistance* receipts account for \$4.37 million of the lower Debt Service expense; this amount is exactly offset by lower *Rate Revenue* accruals of \$4.37 million. *Insurance* expense of \$0.86 million is 25% below the budgeted amount of \$1.15 million, primarily due to lower than budgeted claims payments.

The full year budget for FY05, after offsets, is \$492.6 million.