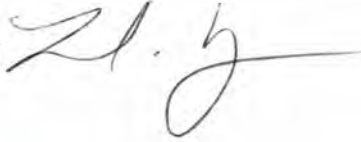




STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: June 25, 2014
SUBJECT: FY15 Final Current Expense Budget

COMMITTEE Administration, Finance & Audit

INFORMATION

VOTE


Kathy Soni, Budget Director
David Whelan, Budget Manager
Preparer/Title 


Rachel C. Madden
Director, Administration & Finance

The FY15 Proposed Current Expense Budget (CEB) submitted to the Advisory Board at the February 2014 Board meeting proposed a 3.6% combined assessment increase.

In the Draft Final CEB presented to the Board at the June 4th budget hearings, the Rate Revenue Requirement was reduced by \$853,660 recognizing the receipt of the FY14 Debt Service Assistance which was applied as a direct offset to the FY15 debt service line item. This reduction resulted in a lower combined assessment increase of 3.43%.

Besides the reduction of the Rate Revenue Requirement which resulted in lower than projected preliminary assessments, the Authority identified \$2.4 million in additional savings by decreasing direct expenses and recognizing the larger than originally planned defeasance in FY14. In agreement with the Advisory Board, the \$2.4 million savings were used to lower the use of reserves in FY15 and preserve these important funds for use in future more troublesome years.

For a line item comparison between the FY15 Proposed CEB to the FY15 Final CEB, please refer to Attachment A.

RECOMMENDATION:

1. To adopt the FY15 Final Current Expense Budget (CEB) set forth in Attachment A and Attachment B with current revenue and expenses of \$674.5 million.
2. To adopt the FY15 Final Operating Budget (Trustee's Budget) set forth in Attachment D.

DISCUSSION:

This staff summary presents the FY15 Final CEB. On June 4th, the Board of Directors held a hearing on the FY15 Draft Final CEB. Discussions and materials provided at the hearing outlined changes to the budget since the transmittal of the FY15 Proposed CEB in February 2014. The additional changes made to the FY15 Draft Final CEB are highlighted above. Attachment A details the changes between the FY15 Proposed and FY15 Final CEB.

Summary

The FY15 Final CEB recommends a combined increase in rates and charges of 3.4%. Capital Financing costs remain the largest component of the CEB, accounting for 60.8% of total expenses, and are projected to grow significantly in future years.

Total expenses of \$674.5 million include \$409.8 million or 60.8% for Capital Financing costs and \$264.7 million or 39.2% for operating expenses, of which \$217.1 million is for Direct Expenses and \$47.5 million is for Indirect Expenses. Total expenses increased \$16.1 million or 2.4% from the FY14 Approved Budget mainly due to a higher debt service requirement of \$13.0 million, higher Direct Expenses of \$2.8 million mainly due to inclusion of Cost of Living Adjustments (COLA) for staff and increased utility pricing mainly for electricity, and higher Indirect Expenses of \$689,000 for higher Retirement Fund contributions and higher Operating Reserve requirements.

Non-rate Revenue for FY15 totals \$24.2 million, a decrease of \$5.5 million or 18.6% from the FY14 Approved Budget. The FY15 Final Non-Rate Revenue budget includes \$9.7 million in investment income, \$8.3 million in other user charges, and \$6.2 million in other revenue. No Rate Stabilization funding is planned for use. As compared with the FY14 Approved Budget, the decrease in revenue is primarily driven by lower use of Rate Stabilization funds of \$3.5 million and lower Investment Income of \$1.9 million.

The Rate Revenue Requirement for the FY15 Final Budget is \$650.3 million, an increase of \$21.6 million or 3.4% from the FY14 Approved Budget.

Table 1 on the following page provides a comparison of the FY15 Final and FY14 Approved Budget by major categories. Additional detail by line item and by Division is provided in Attachments B and C.

Table 1

**MWRA Current Expense Budget
FY15 Final versus FY14 Budget**

(\$ in Millions)	FY14 Budget	FY15 Final	\$ Change	% Change
Directs	\$ 214.4	\$ 217.1	\$ 2.8	1.3%
Indirects	46.8	47.5	0.7	1.5%
Sub-Total Operating Expenses	\$ 261.2	\$ 264.7	\$ 3.5	1.3%
Capital Financing (before Offsets)	397.2	417.4	20.2	5.1%
Offsets: Bond Redemption ¹	-	(6.7)	(6.7)	
Variable Debt Savings	-	-	-	
Debt Service Assistance	-	(0.9)	(0.9)	0.0%
Sub-Total Capital Financing	\$ 397.2	\$ 409.8	\$ 12.6	3.2%
Total Expenses	\$ 658.4	\$ 674.5	\$ 16.1	2.4%
Investment Income	\$ 11.6	\$ 9.7	\$ (1.9)	-16.3%
Non-Rate Revenue	14.6	14.4	(0.1)	-0.9%
Rate Stabilization ¹	3.5	-	(3.5)	
Sub-Total Non-Rate Revenue	\$ 29.7	\$ 24.2	\$ (5.5)	-18.6%
Rate Revenue	628.7	650.3	21.6	3.4%
Total Revenue & Income	\$ 658.4	\$ 674.5	\$ 16.1	2.4%
FY15 Rate Revenue Increase		3.4%		
Combined Use of Reserves	\$ 3.5	\$ 6.7		

¹ MWRA has two reserve funds (Bond Redemption and Rate Stabilization) which can be used at the discretion of the Authority to manage the rate revenue requirement. Use of the Bond Redemption reduces total expenses and Rate Stabilization increases total revenue. Under the terms of the General Bond Resolution the annual use of Rate Stabilization funds cannot exceed 10% of the year's senior debt service. Bond Redemption funds 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 the use is tied to the bonds' maturity dates and it is utility specific.

EXPENSES:

Direct Expenses

FY15 Direct Expenses total \$217.1 million, an increase of \$2.8 million or 1.3% from the FY14 Budget.

- **Wages and Salaries** – The final budget includes \$96.6 million for wages and salaries as compared to \$94.9 million in the FY14 Budget, an increase of \$1.7 million or 1.8% largely due to anticipated Cost of Living Adjustments (COLAs) offset by lower temporary employee funding. Of the \$96.6 million, \$94.7 million is for regular pay. The final budget assumes a headcount of 1,175 funded positions which is level funded with the FY14 Budget. As always, new hires and backfills of vacant positions will be managed at the senior management level and addressed on a case-by-case basis.
- **Overtime** – The final budget includes \$3.6 million for overtime, essentially level funded with the FY14 Budget. The FY15 Budget assumes overtime will be limited to coverage, emergencies, and critical maintenance projects.
- **Fringe Benefits** – The final budget includes \$18.3 million for fringe benefits, an increase of \$236,000 or 1.3% from the FY14 Budget mainly due to higher Health Insurance costs.
- **Workers' Compensation** – The final budget includes \$2.2 million for workers' compensation, an increase of \$200,000 or 10% from the FY14 Budget.
- **Chemicals** – The final budget includes \$10.2 million for chemicals, a decrease of \$452,000 or 4.2% from the FY14 Budget. The majority of the decrease in the budget is for new fluoride regulations, changed operating assumptions for liquid oxygen and nitrazyme, and lower chemical costs offset by the inclusion of three months of projected chemical usage for enterococcus compliance.
- **Utilities** – The final budget includes \$23.5 million for utilities, an increase of \$712,000 or 3.1% from the FY14 Budget. The budget assumes funding of \$17.0 million for electricity, \$3.7 million for diesel fuel, \$2.1 million for water and \$516,000 for natural gas. The FY15 Final energy and utilities budget reflects the most recent pricing outlook based on energy futures and the latest bids for contracts and updated assumptions for self-generation at Deer Island, green energy initiatives, along with efficiency improvements in Field Operations.
- **Maintenance** – The final budget includes \$28.0 million for maintenance, an increase of \$211,000 or 0.8% from the FY14 Budget and is in line with the FY14 projection.

- **Training and Meetings** – The final budget includes \$361,000 for training and meetings, an increase of \$30,000 or 9.1% from the FY14 Budget mainly due to increased needs for specialized training.
- **Professional Services** – The final budget includes \$6.0 million for professional services, a decrease of \$126,000 or 2.1% from the FY14 Budget. The budget reflects funding for Security of \$1.7 million, regulatory monitoring of \$1.5 million, and Other professional services funding of \$1.4 million to support items such as the Authority-wide MIS initiatives, Treasury outside consulting support services, and energy audits.
- **Other Materials** – The final budget includes \$6.0 million for other materials and is primarily level funded with the FY14 Budget. The budget includes funding of \$1.7 million for vehicle purchases, \$1.1 million for vehicle expenses mostly for gasoline purchases, \$803,000 for lab and testing supplies, \$499,000 for computer hardware needs, and \$459,000 for equipment and furniture.
- **Other Services** – The final budget includes \$22.5 million for other services, an increase of \$260,000 or 1.2% from the FY14 Budget. The budget includes funding of \$13.9 million for sludge pelletization, \$3.5 million for Space/Lease Rentals and related expenses for the CNY and Chelsea facilities, and \$1.4 million for voice and data costs. The largest increase, or \$195,000, is related to contractual increases for the Charlestown Navy Yard and Chelsea facility leases and the corresponding property taxes.

Indirect Expenses

Indirect Expenses for FY15 are \$47.5 million, an increase of \$689,000 or 1.5% more than the FY14 Budget. Below are the highlights of major changes:

- The FY15 Final Budget includes \$27.5 million for the Department of Conservation and Recreation (DCR) Office of Watershed Management, an increase of \$252,000 or 0.9% over the FY14 Budget. The budget is comprised of \$13.8 million for reimbursement of operating expenses net of revenues, \$8.1 million for Payment in Lieu of Taxes (PILOT), and \$5.6 million for debt service expenses on prior land purchases financed by the Commonwealth. The largest increase is for operating expenses of \$352,000 mainly for contractual increases offset by a decrease for PILOT payments of \$100,000.
- The FY15 Final Budget includes \$12.6 million for the Pension Fund, an increase of \$198,000 or 1.6% over the FY14 contribution. Of the \$12.6 million contribution, \$7.8 million represents the minimum required contribution for FY15 based on the most recent actuarial evaluation of January 1, 2013 and \$4.8 million represents the redirection of Other Post Employment Benefit (OPEB) funding included in the FY15 Proposed Budget to the Pension Fund.

- The FY15 Final Budget includes \$3.2 million for the Harbor Energy Electric Company (HEEC), a decrease of \$149,000 or 4.4% from the FY14 Budget, primarily for lower capacity charges offset by increases for special maintenance projects. The majority of funding is for the contractual repayment of the capital investment of the Deer Island electric cable and substation which provides electric power to the treatment plant.
- The FY15 Final Budget includes \$2.1 million for Insurance, and is primarily level funded from the FY14 Budget. The FY15 Final Budget was based on actual average spending for the past five years, FY09-13. It should be noted that at the June 4th meeting the Board of Directors approved the MWRA FY15 Insurance program with a not to exceed estimate of \$300,000 for the excess liability coverage line item. Since the June 4th Board meeting, staff obtained the actual amount for the excess liability coverage which was \$277,000.
- The Authority has complied with the GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, by disclosing this liability in the year-end Financial Statements. As part of the multi-year strategy to address its unfunded liabilities for OPEB and pension holistically, the Board approved a strategy to aggressively pay down our pension liability and upon reaching full funding, move to address the OPEB obligation. This strategy was employed in FY08, FY09, FY10, FY12, FY13 and FY14 Budgets. It was temporarily suspended in FY11 to achieve a 1.5% rate increase. The \$4.8 million included for OPEB in the FY15 Final Budget, consistent with the planning estimates, has been redirected as an optional payment to the Pension Fund.
- Funding for the Operating Reserve for FY15 is \$314,000 higher than the FY14 Budget. The Operating Reserve balance is in compliance with MWRA General Bond Resolution which requires a balance of one-sixth of annual operating expenses. Based on the FY15 Final CEB, the required balance is \$39.5 million versus the \$39.0 million required in FY14.

Capital Financing

As a result of the Authority's Capital Improvement Program, debt service as a percentage of total expenses (before offsets) has increased steadily from 36% in 1990 to 61% in the FY15 Final Current Expense Budget. Much of this debt service is for completed projects, primarily the Boston Harbor Project and the Integrated Water Supply Improvement Program. The MWRA's capital spending, from its inception, has been dominated by projects mandated by court order or regulatory requirements, which historically accounted for 80% of capital spending. Going forward, and as the Combined Sewer Overflow (CSO) project winds down, greater emphasis and spending will be focused on asset protection and water redundancy initiatives.

The Authority has actively managed its debt structure to take advantage of favorable interest rates. Tools used by the MWRA to lower borrowing costs and manage rates include current and advanced refunding of outstanding debt, maximizing the use of the subsidized State Revolving

Fund (SRF) debt, issuance of variable rate debt, swap agreements, and the use of surplus revenues to defease debt. The MWRA also uses Tax Exempt Commercial Paper to minimize the financing cost of construction in process.

As presented in the FY14 Final CIP staff summary and reaffirmed in the FY15 process, the Authority has established the lowest five-year spending cap for FY14-18 period since 1990 which results in lower borrowing requirements in future years. The FY15 Final CIP confirms that MWRA will be reducing its total bonded indebtedness over the Cap period by paying off more principal than annual CIP spending. Also during this five-year cap period, MWRA will finally begin paying more principal than interest on its debt.

The FY15 Final capital financing costs total \$409.8 million and remain the largest portion of the MWRA's budget, accounting for 61% of total expenses. Debt Service Assistance (DSA) of \$853,660 which was received in FY14 has been included as a direct offset in the FY15 Final Budget.

The FY15 Final Budget includes a targeted defeasance of \$30.0 million which will reduce debt service by approximately \$1.3 million in FY15, \$1.3 million in FY16, \$25.0 million in FY17, and \$3.7 million in FY18.

The FY15 Proposed Budget assumes a 3.25% interest rate for variable rate debt which is the same level as in FY14. The Authority's variable rate debt assumption is comprised of three separate elements: the interest rate for the daily and weekly series; liquidity fees for the Standby Bond Purchase Agreement, Letter of Credit, and Direct Purchase providers; and remarketing fees. While MWRA continues to experience unusually low interest rates, they are not reflective of historical averages and there is no guarantee that rates will stay low.

The FY15 Final capital financing costs increased by \$20.2 million before offsets or 5.1% compared to the FY14 Budget. After adjusting for use of \$6.7 million in Bond Redemption funding and \$853,660 for the Debt Service Assistance received in FY14 which is being applied as a direct offset to the Rate Revenue Requirement in FY15, the increase in the MWRA's debt service is \$12.6 million or 3.2%.

The major components of the Capital Finance Budget include:

- \$220.8 million in principal and interest payments on MWRA's senior fixed rate bonds. This amount includes \$6.5 million to support issuances of \$100 million in September 2014 and \$1.8 million to support issuances of \$100 million of new money in May 2015. Also includes a reduction of \$1.3 million for the effect of the planned FY14 defeasance;
- \$99.7 million in principal and interest payments on subordinate bonds;
- \$78.5 million in principal and interest payments on SRF loans. This amount includes \$5.9 million to support issuances of \$43.1 million in Fall 2014 and \$42.5 million in 2015;

- \$10.2 million to fund ongoing capital projects with current revenue and to meet coverage requirements;
- \$4.1 million to fund the interest expense related to the Local Water Pipeline Assistance Program;
- \$3.2 million for the Chelsea Lease; and,
- \$876,507 for FY15 additional CORE deposit. The CORE Fund requirement is 10% of the Senior Debt Service after offsets for the fiscal year per the Bond Resolution.

Revenue

FY15 non-rate revenue totals \$24.2 million, a decrease of \$5.5 million or 18.6% from the FY14 Budget. The FY15 Final non-rate revenue budget includes:

- \$9.7 million in Investment Income, a decrease of \$1.9 million or 16.3% from the FY14 Budget due to lower average fund balances. The FY15 Final short-term interest rate assumption is .20%, which is level funded with the FY14 Budget.
- \$8.3 million in Other User Charges, including \$4.7 million for Chicopee Valley Aqueduct (CVA) communities, \$1.6 million for Deer Island water usage, \$642,000 for entrance fees from member communities, and \$500,000 for the Commonwealth's partial reimbursement for Clinton Wastewater Treatment Plant expenses. Other User Charges are \$132,000 or 1.6% more than the FY14 Budget which is mainly due to changes in wholesale water rate increases and for Lancaster community assessment increase.
- \$6.2 million in Other Revenue, including \$2.4 million from the sale of the Authority's Renewable Portfolio Credits and revenue from the demand response program, \$2.1 million in permit fees and penalties, and \$656,000 in energy revenue from wind, hydroelectric, and solar production. Other Revenue decreased \$264,000 or 4.1% from the FY14 Budget mainly due to decreased pricing for Renewable Portfolio Credit certificates, lower monitoring fees, and lower revenue from renewable energy sources such as wind and solar.
- No use of Rate Stabilization funds is planned in FY15 which results in a \$3.5 million decrease versus FY14.

The Rate Revenue Requirement for FY15 is \$650.3 million, an increase \$21.6 million or 3.4% over the FY14 Budget. The Rate Revenue Requirement is the difference between total expenses of \$674.5 million less non-rate revenue of \$24.2 million.

Planning Estimates and Future Rate Increases

MWRA's planning estimates are projections based on a series of assumptions about future spending (operating and capital), interest rates, inflation, and other factors. MWRA uses the

planning estimates to model and project what future rate increases might be based upon these assumptions, as well as to test the impact of changes to assumptions on future rate increases. The planning estimates are not predictions of what rate increases will be but rather they provide the context and framework for guiding MWRA financial policy and management decision making that ultimately determine the level of actual rate increases on an annual basis.

Historically, the planning estimates were based on conservative financial assumptions. Conservative projections of future rate increases benefit the MWRA by providing assurance to the rating agencies that MWRA anticipates to raise revenues sufficient to pay for its operations and outstanding debt obligations now and over the long-term. Additionally, conservative forecasts of rate revenue increases enable member communities to adequately plan and budget for future payments to MWRA. These conservative assumptions are revised annually and adjusted to reflect more current conditions in the upcoming budget cycles.

Table 2 below presents the combined estimated future rate increases and household charges based on the FY14 Final Budget. The planning estimates shown below assume use of Rate Stabilization and Bond Redemption reserves through FY2023 to manage the rate increases but do not assume receipt of Debt Service Assistance (DSA) from the Commonwealth. For planning purposes, the yearly use of combined reserves is currently limited to a maximum of \$12 million. MWRA anticipates the release of additional reserves starting in FY16 as a result of Bond Indenture changes to mitigate rate increases in future years. The release of the Debt Service Reserve is reflected in these projections but not the \$45 million unrestricted cash reserves specifically the CORE (Community Obligation and Revenue Enhancement) and the RRR (Renewal and Replacement Reserve) funds that will be also released.

Table 2

Rates & Budget Projections										
FY15 Final CEB	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Total Rate Revenue (\$000)	\$ 650,316	\$ 678,411	\$ 712,885	\$ 747,497	\$ 782,127	\$ 832,987	\$ 849,948	\$ 880,898	\$ 851,717	\$ 838,042
Rate Revenue Change from Prior Year (\$000)	\$ 21,595	\$ 28,095	\$ 34,474	\$ 34,612	\$ 34,630	\$ 50,860	\$ 16,961	\$ 30,950	\$ (29,181)	\$ (13,675)
Rate Revenue Increase	3.4%	4.3%	5.1%	4.9%	4.6%	6.5%	2.0%	3.6%	-3.3%	-1.6%
Use of Reserves (\$000)	\$ 6,746	\$ 12,000	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ 2,620	\$ 12,000	\$ -	\$ -

Estimated Household Bill

Based on annual water usage of 61,000 gallons	\$ 1,010	\$ 1,014	\$ 1,065	\$ 1,133	\$ 1,184	\$ 1,227	\$ 1,295	\$ 1,352	\$ 1,412	\$ 1,448
Based on annual water usage of 90,000 gallons	\$ 1,490	\$ 1,567	\$ 1,646	\$ 1,732	\$ 1,813	\$ 1,910	\$ 1,989	\$ 2,082	\$ 2,132	\$ 2,183

CEB Review and Adoption Process

In February, the MWRA transmitted the FY15 Proposed CEB to the Advisory Board for its review and comment. In June, the Advisory Board submitted their *Integrated Comments and Recommendations*. Responses to the Advisory Board’s review and comments are attached as Attachment F.

Attachments

- Attachment A - FY15 Final Budget vs. FY15 Proposed Budget
- Attachment B - FY15 Final Budget vs. FY14 Approved Budget
- Attachment C - FY15 Final Direct Expense Budget by Division
- Attachment D - FY15 Final Operating Budget (Trustee's Budget)
- Attachment E - FY15 Final Budget vs. FY14 Projection
- Attachment F - MWRA Responses to Advisory Board's FY15 Integrated CIP and CEB Comments and Recommendation

ATTACHMENT A

FY15 Final vs FY15 Proposed Budget

TOTAL MWRA	FY14 Approved Budget	FY15 Proposed	FY15 Final	Change FY15 Final vs FY15 Proposed Budget	
				\$	%
EXPENSES					
WAGES AND SALARIES	\$ 94,874,284	\$ 96,784,070	\$ 96,554,749	\$ (229,321)	-0.2%
OVERTIME	3,580,025	3,620,600	3,620,600	-	0.0%
FRINGE BENEFITS	18,063,825	18,539,351	18,299,405	(239,946)	-1.3%
WORKERS' COMPENSATION	2,000,000	2,200,000	2,200,000	-	0.0%
CHEMICALS	10,671,225	10,667,110	10,219,580	(447,530)	-4.2%
ENERGY AND UTILITIES	22,760,588	23,350,688	23,472,354	121,666	0.5%
MAINTENANCE	27,761,580	28,036,396	27,972,607	(63,789)	-0.2%
TRAINING AND MEETINGS	330,917	361,019	361,019	-	0.0%
PROFESSIONAL SERVICES	6,083,402	6,143,938	5,957,201	(186,737)	-3.0%
OTHER MATERIALS	5,969,470	5,886,229	5,952,729	66,500	1.1%
OTHER SERVICES	22,278,699	22,631,589	22,538,498	(93,091)	-0.4%
TOTAL DIRECT EXPENSES	\$ 214,374,017	\$ 218,220,990	\$ 217,148,742	\$ (1,072,247)	-0.5%
INSURANCE	\$ 2,093,618	\$ 2,128,155	\$ 2,128,155	\$ -	0.0%
WATERSHED/PILOT	27,214,833	27,541,836	27,466,790	(75,046)	-0.3%
HEEC PAYMENT	3,346,854	3,198,174	3,198,174	-	0.0%
MITIGATION	1,566,797	1,605,967	1,605,967	-	0.0%
ADDITIONS TO RESERVES *	169,304	661,661	482,953	(178,709)	-27.0%
RETIREMENT FUND	7,455,103	7,808,155	7,808,155	-	0.0%
POSTEMPLOYMENT BENEFITS/ ADDITIONAL PENSION DEPOSIT	4,976,411	4,821,320	4,821,320	-	0.0%
TOTAL INDIRECT EXPENSES	\$ 46,822,920	\$ 47,765,268	\$ 47,511,514	\$ (253,755)	-0.5%
STATE REVOLVING FUND	\$ 75,960,617	\$ 78,460,635	\$ 78,460,635	\$ -	0.0%
SENIOR DEBT	204,471,302	221,336,626	220,835,626	(501,000)	-0.2%
DEBT SERVICE ASSISTANCE	-	-	(853,660)	(853,660)	
CURRENT REVENUE/CAPITAL	9,200,000	10,200,000	10,200,000	-	0.0%
SUBORDINATE MWRA DEBT	100,117,241	99,686,105	99,686,105	-	0.0%
LOCAL WATER PIPELINE CP	4,127,811	4,148,453	4,148,453	-	0.0%
CAPITAL LEASE	3,217,060	3,217,060	3,217,060	-	0.0%
VARIABLE DEBT	-	-	-	-	
CORE FUND DEPOSIT	132,238	1,556,532	876,507	(680,025)	-43.7%
DEFEASANCE ACCOUNT	-	-	-	-	
BOND REDEMPTION	-	(1,300,000)	(6,745,598)	(5,445,598)	
TOTAL DEBT SERVICE	\$ 397,226,267	\$ 417,305,411	\$ 409,825,128	\$ (7,480,282)	-1.8%
TOTAL EXPENSES	\$ 658,423,205	\$ 683,291,669	\$ 674,485,384	\$ (8,806,287)	-1.3%
REVENUE & INCOME					
RATE REVENUE	\$ 628,721,002	\$ 651,169,443	\$ 650,315,782	\$ (853,660)	-0.13%
OTHER USER CHARGES	8,127,379	8,254,404	8,259,693	5,289	0.1%
OTHER REVENUE	6,444,291	6,196,586	6,180,451	(16,135)	-0.3%
RATE STABILIZATION	3,500,000	7,861,672		(7,861,672)	-100.0%
INVESTMENT INCOME	11,630,534	9,809,564	9,729,458	(80,106)	-0.8%
TOTAL REVENUE & INCOME	\$ 658,423,205	\$ 683,291,669	\$ 674,485,384	\$ (8,806,287)	-1.3%

* Reserves estimated based on OPEB being deposited into the Pension fund

ATTACHMENT B

FY15 Final vs FY14 Approved Budget

TOTAL MWRA	FY13 Actual	FY14 Approved Budget	FY15 Final	Change FY15 Final vs FY14 Approved Budget	
				\$	%
EXPENSES					
WAGES AND SALARIES	\$ 90,658,806	\$ 94,874,284	\$ 96,554,749	\$ 1,680,465	1.8%
OVERTIME	3,542,871	3,580,025	3,620,600	40,575	1.1%
FRINGE BENEFITS	17,536,480	18,063,825	18,299,405	235,580	1.3%
WORKERS' COMPENSATION	2,114,701	2,000,000	2,200,000	200,000	10.0%
CHEMICALS	10,139,257	10,671,225	10,219,580	(451,645)	-4.2%
ENERGY AND UTILITIES	23,057,581	22,760,588	23,472,354	711,766	3.1%
MAINTENANCE	26,956,073	27,761,580	27,972,607	211,027	0.8%
TRAINING AND MEETINGS	320,596	330,917	361,019	30,102	9.1%
PROFESSIONAL SERVICES	5,002,664	6,083,402	5,957,201	(126,201)	-2.1%
OTHER MATERIALS	6,955,029	5,969,470	5,952,729	(16,741)	-0.3%
OTHER SERVICES	22,323,327	22,278,699	22,538,498	259,799	1.2%
TOTAL DIRECT EXPENSES	\$ 208,607,384	\$ 214,374,017	\$ 217,148,742	\$ 2,774,727	1.3%
INSURANCE	\$ 2,220,704	\$ 2,093,618	\$ 2,128,155	\$ 34,537	1.6%
WATERSHED/PILOT	26,004,694	27,214,833	27,466,790	251,957	0.9%
HEEC PAYMENT	3,492,064	3,346,854	3,198,174	(148,680)	-4.4%
MITIGATION	1,517,791	1,566,797	1,605,967	39,170	2.5%
ADDITIONS TO RESERVES *	1,398,329	169,304	482,953	313,649	185.3%
RETIREMENT FUND	10,490,247	7,455,103	7,808,155	353,052	4.7%
POSTEMPLOYMENT BENEFITS/ ADDITIONAL PENSION DEPOSIT	-	4,976,411	4,821,320	(155,091)	-3.1%
TOTAL INDIRECT EXPENSES	\$ 45,123,829	\$ 46,822,920	\$ 47,511,514	\$ 688,594	1.5%
STATE REVOLVING FUND	\$ 71,491,292	\$ 75,960,617	\$ 78,460,635	\$ 2,500,018	3.3%
SENIOR DEBT	209,826,104	204,471,302	220,835,626	16,364,324	8.0%
DEBT SERVICE ASSISTANCE (last year)	-	-	(853,660)	(853,660)	N/A
CURRENT REVENUE/CAPITAL	8,200,000	9,200,000	10,200,000	1,000,000	10.9%
SUBORDINATE MWRA DEBT	100,371,993	100,117,241	99,686,105	(431,136)	-0.4%
LOCAL WATER PIPELINE CP	335,271	4,127,811	4,148,453	20,642	0.5%
CAPITAL LEASE	3,217,060	3,217,060	3,217,060	-	0.0%
VARIABLE DEBT	(13,197,283)	-	-	-	-
CORE FUND DEPOSIT	-	132,238	876,507	744,269	562.8%
DEFEASANCE ACCOUNT	-	-	-	-	-
BOND REDEMPTION	-	-	(6,745,598)	(6,745,598)	-
TOTAL DEBT SERVICE	\$ 380,244,437	\$ 397,226,267	\$ 409,825,128	\$ 12,598,860	3.2%
TOTAL EXPENSES	\$ 633,975,650	\$ 658,423,205	\$ 674,485,384	\$ 16,062,178	2.4%
REVENUE & INCOME					
RATE REVENUE	\$ 607,512,000	\$ 628,721,002	\$ 650,315,782	\$ 21,594,780	3.43%
OTHER USER CHARGES	7,707,031	8,127,379	8,259,693	132,314	1.6%
OTHER REVENUE	8,173,785	6,444,291	6,180,451	(263,840)	-4.1%
RATE STABILIZATION	-	3,500,000	-	(3,500,000)	-100.0%
INVESTMENT INCOME	13,590,492	11,630,534	9,729,458	(1,901,076)	-16.3%
TOTAL REVENUE & INCOME	\$ 636,983,311	\$ 658,423,205	\$ 674,485,384	\$ 16,062,178	2.4%

* Reserves estimated based on OPEB being deposited into the Pension fund

ATTACHMENT C

FY15 Final Direct Expense Budget by Division

Division	FY14 Approved Budget	FY15 Final	Change FY15 Final vs FY14 Approved Budget	
			\$	%
Executive	\$1,178,117	\$1,228,622	\$50,505	4.3%
Emergency Preparedness	2,850,289	2,681,758	-\$168,531	-5.9%
Administration and Finance	45,330,613	46,246,157	\$915,544	2.0%
Law	1,703,729	1,732,252	\$28,523	1.7%
Affirmative Action	579,143	578,751	-\$392	-0.1%
Internal Audit	681,501	701,437	\$19,936	2.9%
Public Affairs	1,208,114	1,125,052	-\$83,062	-6.9%
Operations/Planning	160,842,510	162,854,713	\$2,012,203	1.3%
Total Authority	\$214,374,017	\$217,148,742	\$2,774,727	1.3%

ATTACHMENT D

**Massachusetts Water Resources Authority
Fiscal Year 2015 Operating Budget for Filing with the Trustee
Pursuant to Section 712 of General Bond Resolution Adopted January 24, 1990**

(\$000s)

Projected Monthly Deposits:

Fund	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Operating	\$18,209	\$22,761	\$18,209	\$18,209	\$22,761	\$18,209	\$18,209	\$22,761	\$18,209	\$18,209	\$22,761	\$18,209	\$236,711
Debt Service & Coverage	31,525	39,406	31,525	31,525	39,406	31,525	31,525	39,406	31,525	31,525	39,406	31,525	409,825
Debt Service Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
CORE	---	---	---	---	---	---	---	---	---	---	---	---	0
Commonwealth Obligations	---	---	3,439	---	---	3,439	---	---	11,539	---	---	9,048	27,467
Operating Reserve	37	46	37	37	46	37	37	46	37	37	46	37	483
Insurance Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
Renewal & Replacement Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
Rate Stabilization Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$49,771	\$62,213	\$53,210	\$49,771	\$62,213	\$53,210	\$49,771	\$62,213	\$61,310	\$49,771	\$62,213	\$58,819	\$674,485

ATTACHMENT E

FY15 Final vs FY14 Projection

TOTAL MWRA	FY14 Projection	FY15 Final	Change FY15 Final vs FY14 Projection	
			\$	%
EXPENSES				
WAGES AND SALARIES	\$ 91,964,696	\$ 96,554,749	\$ 4,590,053	5.0%
OVERTIME	3,427,072	3,620,600	193,528	5.6%
FRINGE BENEFITS	18,072,137	18,299,405	227,268	1.3%
WORKERS' COMPENSATION	2,400,358	2,200,000	(200,358)	-8.3%
CHEMICALS	10,527,640	10,219,580	(308,060)	-2.9%
ENERGY AND UTILITIES	22,507,652	23,472,354	964,702	4.3%
MAINTENANCE	28,290,162	27,972,607	(317,555)	-1.1%
TRAINING AND MEETINGS	314,190	361,019	46,829	14.9%
PROFESSIONAL SERVICES	5,458,377	5,957,201	498,824	9.1%
OTHER MATERIALS	5,834,079	5,952,729	118,650	2.0%
OTHER SERVICES	21,838,437	22,538,498	700,061	3.2%
TOTAL DIRECT EXPENSES	\$ 210,634,800	\$ 217,148,742	\$ 6,513,943	3.0%
INSURANCE	\$ 2,000,101	\$ 2,128,155	\$ 128,054	6.4%
WATERSHED/PILOT	26,636,833	27,466,790	829,957	3.1%
HEEC PAYMENT	3,379,550	3,198,174	(181,376)	-5.4%
MITIGATION	1,525,477	1,605,967	80,490	5.3%
ADDITIONS TO RESERVES	169,304	482,953	313,649	185.3%
RETIREMENT FUND	7,470,926	7,808,155	337,229	4.5%
POSTEMPLOYMENT BENEFITS/ ADDITIONAL PENSION DEPOSIT	4,976,411	4,821,320	(155,091)	-3.1%
TOTAL INDIRECT EXPENSES	\$ 46,158,603	\$ 47,511,514	\$ 1,352,913	2.9%
STATE REVOLVING FUND	\$ 73,548,811	\$ 78,460,635	\$ 4,911,825	6.7%
SENIOR DEBT	203,337,968	220,835,626	17,497,659	8.6%
DEBT SERVICE ASSISTANCE	(853,660)	(853,660)	-	
CURRENT REVENUE/CAPITAL	9,200,000	10,200,000	1,000,000	10.9%
SUBORDINATE MWRA DEBT	100,117,241	99,686,105	(431,136)	-0.4%
LOCAL WATER PIPELINE CP	341,921	4,148,453	3,806,532	1113.3%
CAPITAL LEASE	3,217,060	3,217,060	-	0.0%
VARIABLE DEBT	(12,441,396)	-	12,441,396	-100.0%
CORE FUND DEPOSIT	132,238	876,507	744,269	562.8%
DEFEASANCE ACCOUNT	19,772,424	-	(19,772,424)	-100.0%
BOND REDEMPTION	-	(6,745,598)	(6,745,598)	N/A
TOTAL DEBT SERVICE	\$ 396,372,607	\$ 409,825,128	\$ 13,452,523	3.4%
TOTAL EXPENSES	\$ 653,166,010	\$ 674,485,384	\$ 21,319,379	3.3%
REVENUE & INCOME				
RATE REVENUE	\$ 628,721,002	\$ 650,315,782	\$ 21,594,780	3.4%
OTHER USER CHARGES	8,127,379	8,259,693	132,314	1.6%
OTHER REVENUE	10,640,291	6,180,451	(4,459,840)	-41.9%
RATE STABILIZATION	3,500,000	-	(3,500,000)	-100.0%
INVESTMENT INCOME	12,030,534	9,729,458	(2,301,076)	-19.1%
TOTAL REVENUE & INCOME	\$ 663,019,204	\$ 674,485,384	\$ 11,466,178	1.7%
VARIANCE	\$ 9,853,194	\$ -	\$ (9,853,194)	

ATTACHMENT F

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
<p>1. The Advisory Board recommends that the Authority review and update the Business Plan and present a document for the next five-year period, FY2015-FY2019, no later than September 2014.</p>	<p>The Authority will strive to update the Business plan for the FY15-19 timeframe to be presented to the Board in December 2014.</p>
<p>2. The Advisory Board recommends that Phase 9 and Phase 10 of the I/I Local Financial Assistance Program be increased to \$80 million per phase to be distributed to eligible communities.</p>	<p>Agree. The expansion of this program and the more favorable terms is a major positive development for the communities. Having more funds available will enhance the communities ability to make needed local improvements to their sewer system.</p>
<p>3. The Advisory Board recommends that an automatic "trigger," the exact mechanism of which is to be determined by the Authority, be incorporated into the I/I Program to make Phase 10 funds available to communities.</p>	<p>Based on discussions with the AB it was determined that some safety features will be built into the structure of the new program starting with Phase 9. These will include that the Communities will provide a three year spending projection starting in March of 2015 for the FY16 cycle, and every budget year following FY16, and a 90 day advance notice for any distribution exceeding \$2 million. Also, it was decided, that in order to ensure that the Phase 10 funds included in the capital program will be available to the Communities a "trigger" point for the eligibility was agreed upon: when MWRA has distributed 50% of the Phase 9 funds allocation for a community, their Phase 10 distribution automatically becomes approved for local authorization. Phase 10 funds will be available at the beginning of the fiscal year after the Phase 10 trigger has been met.</p>
<p>4. The Advisory Board recommends that the award for construction of the Hatchery Pipeline project be placed on hold until the Commonwealth confirms its method of reimbursing the Authority for the electricity savings it will receive as an ancillary benefit to this project.</p>	<p>MWRA is continuing the design effort, while at the same time seeking additional grants for the construction phase of the project. Last year, MWRA indicated it had received one grant from the Massachusetts Clean Energy Center for 50% of the hydropower facility's cost, and had applied for a second grant from the Executive Office of Energy and Environmental Affairs Leading By Example program to cover the other 50% of the hydropower facility's project cost. MWRA subsequently received the second grant. Both grants have milestones associated with them. Failure to move ahead with this project on a timely basis could result in loss of grant funding.</p>
<p>5. The Advisory Board recommends that the community assistance programs be exempt from the capital spending cap calculation.</p>	<p>Agree.</p>

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
<p>6. The Advisory Board recommends that the Authority identify "standalone" projects in both the wastewater and water capital programs and bring them to a level of design to allow them to proceed with short notice. The Advisory Board further recommends that this "pool" of projects be substituted to continue work on the capital program when other capital spending "slips" due to unforeseen circumstances.</p>	<p>The Authority will consider this recommendation going forward. The Authority budgets capital projects based on priority and once the design phase for a project is completed, the project is bid for construction as soon as possible. If a project were to be designed and then shelved it could not necessarily be bid quickly once needed. There are items in a design contract such as: electrical/plumbing codes, building codes, environmental requirements and permitting, to name a few, that frequently change. If a project were to be designed and then shelved, once needed, would have to be revised to account for any changes. Doing so, would potentially be time-consuming and may result in higher costs, especially if the contract with the original design engineering firm has expired. In that case it would be necessary to re-bid the contract, which would not guarantee that the original design firm would receive the award. This situation would further complicate the process, because the newly selected firm would essentially be re-designing the project. However, the Authority will evaluate and identify projects where it would be beneficial and feasible to implement this recommendation.</p>
<p>7. The Advisory Board challenges the Authority to the long-term goal of reducing wholesale assessment increases from FY16-20 to less than 4.0%.</p>	<p>The Authority will strive to achieve assessment increases less than 4% annually. So far, based on the current projection the average increase for the FY16-20 period is 5%.</p>
<p>8. The Advisory Board recommends that the Authority reduces the rate revenue requirement for the FY15 Current Expense Budget by \$853,660, resulting in a 3.43% wholesale rate increase.</p>	<p>Agree.</p>
<p>9. The Advisory Board recommends that any additional reductions the Authority makes beyond \$853,660 are accounted for via a reduction in the use of rate stabilization funds for FY15.</p>	<p>Agree. Due to additional savings identified during the Draft Final process the Authority was able to reduce the use of reserves by \$2.4 million in FY15, thus increasing the available reserve funds to be used in future years.</p>
<p>10. The Advisory Board recommends that the Authority use the \$4,645,464 dedicated for water quality improvements relating to the Town of Clinton as part of the "current revenue for the capital program" line item to fund this project as expenditures occur in future years.</p>	<p>Partially agree. When these funds were originally set aside, there were a few watershed protection/water quality initiatives identified for their application. MWRA can use this \$4.7M for the Clinton project specifically (like current revenue for capital and lower its borrowing), but it cannot use these funds in lieu of the Current Revenue for Capital budgeted for FY15 and beyond. The Current Revenue for Capital line item is budgeted (at increasing levels annually) to ensure MWRA is able to meet its coverage requirement per the Bond Resolution. Since this \$4.7M was already recognized for year-end coverage purposes in the year that it was set aside (FY11), it cannot be re-applied for coverage purposes in the future.</p>
<p>11. The Advisory Board recommends that the Long-Term Rates Management Committee be reconvened with updated membership according to the original makeup present on the committee, and that meetings begin in September 2014.</p>	<p>Agree. Staff recommend that this forum be used to develop a recommendation to the Board of Directors for the application of the cash reserves (Community Obligation and Revenue Enhancement (CORE) and Renewal and Replacement Reserve (RRR) funds) to be released upon adoption of the revisions to the Bond Indenture.</p>

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
12. The Advisory Board recommends that the Authority adjust its attrition/vacancy rate assumptions upward by the average value of three positions, for a reduction of \$300,000 (including associated fringe benefits).	The Authority reduced the Proposed FY15 CEB Regular Pay line item by \$274,000 to reflect the financial impact of hiring delays. The associated fringe benefits, coupled with lower health insurance premium rates, resulted in an additional reduction of \$240,000.
13. The Advisory Board reaffirms its support of the current approach toward the combined pension/OPEB liability, and further recommends that 100% funding of the retirement fund be used as the specific "trigger" to begin the process of establishing an irrevocable trust for its OPEB liability.	Agree to establish an OPEB irrevocable trust and to begin funding this OPEB trust upon reaching full funding of the retirement fund. However, staff recommend that the process for establishing the trust be commenced in advance of reaching full funding of the pension fund as important decisions regarding the administration of the OPEB trust need to be made and the development of the legal documentation will take some time to complete. Thus, the process to establish the trust should commence in advance but no funding need be directed to such a trust until reaching full funding of the retirement fund as currently planned.
14. The Advisory Board recommends that in the event the amount budgeted for the retirement fund deposit would exceed the amount needed for full funding, that any excess funds be placed in a dedicated reserve account that is exempt from any Operating Reserve requirement until an irrevocable trust is established.	Staff agrees that amounts budgeted in excess of the amount needed for full pension funding should be directed to OPEB funding and placed in a dedicated reserve account which is not subject to Operating Reserve requirement, until an irrevocable trust is established.
15. The Advisory Board recommends that the Authority create a working committee, including representatives from the Advisory Board, to discuss the schedule, structure, and management of funding the Authority's OPEB liability and make a recommendation to the MWRA Board of Directors.	Agree.
16. The Advisory Board recommends that the Authority reduce its assumption for average quantity from 104 tons per day to 103 tons per day, thereby reducing sludge pelletization by \$99,000.	Agree with the recommendation of reducing the average sludge quantity from 104 tons per day to 103 tons per day.
17. The Advisory Board recommends reducing budgeted amounts for chemical use by \$650,000 to reflect no increased costs associated with regulatory changes to the National Pollutant Discharge Elimination System (NPDES) permit at the Deer Island Wastewater Treatment Plant.	MWRA partially agrees with this recommendation. The Operations Division agrees to amend the Proposed FY15 CEB to reflect a three month delay in the start-up of the new NPDES Permit at the Deer Island Wastewater Treatment Plant. The revised budget will reflect start-up in April 2015 instead of January 2015, thus resulting in a reduction of \$330,000 for less chemical use for enterococcus treatment at DITP.

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
<p>18. The Advisory Board recommends that the Authority contribute no more than 40% to the costs for the Mystic River modeling - no more than \$150,000 per year, with an overall spending cap of \$350,000 contingent upon demonstrated commitment from DEP, EPA, local entities, and the Mystic River Watershed Association to fund the remaining 60%.</p>	<p>MWRA is working cooperatively with the Mystic River Watershed Association (MyRWA), EPA, DEP, USGS and other potential partners to establish a higher level of baseline information on the Mystic River with the intent of making more informed long-term decisions about water quality. This benefits MWRA relative to understanding the benefits associated with the Authority's Long Term CSO Control Plan and with MWRA's more focused efforts such as the North System Study and projects such as assisting MyRWA with ongoing efforts to reduce nuisance vegetation in the River. Scope development for the project is not yet complete. MWRA is working with MyRWA and the other parties to develop a scope, schedule and funding mix that will be the most beneficial. MWRA has been adamant in all discussions that cost sharing between interested parties is critical to MWRA's involvement and to the success of the project. In addition to making use of watershed association funds, MyRWA has made progress in preparing grant applications and obtaining financial commitments from both public and private entities. Additional grant applications are currently outstanding and others will be developed over time as opportunities arise. MWRA will continue to work with MyRWA and other parties to ensure the broadest possible financial participation. MWRA does concur with the Advisory Board's concept of proportionate funding shared by multiple stakeholders. If the cost and scope of the project increases and MyRWA is successful in raising additional funding for costs from other interested parties, MWRA staff would make a recommendation for a proportional increase in the total contribution above the \$350,000. If that were to occur, MWRA staff would seek specific Board approval.</p>
<p>19. The Advisory Board recommends that the Authority update assumptions for the schedule for an undated Local Limits Study during FY15 and reduce budgeted amounts by at least \$125,000 to reflect a start date in the spring of 2015.</p>	<p>The Operations Division agrees to reduce the Proposed FY15 CEB for the Local Limits Study by \$125,000, leaving a remaining budget of \$125,000 for three months of work in FY15 to coincide with the start-up of the new NPDES Permit for DITP.</p>
<p>20. The Advisory Board recommends that the Authority review its assumptions for conducting of a Deer Island beach erosion study during FY15 and reduce amounts budgeted by \$50,000.</p>	<p>Agree.</p>
<p>21. The Advisory Board recommends that the planned purchase of a piece of Laboratory equipment for \$150,000 be classified as a capital expense.</p>	<p>MWRA does not agree to shift the funds for this item to the CIP. This is a relatively small amount which the Central Laboratory carries historically as a placeholder in the CEB which may include funding for one or a number of instruments. Actual purchases are based on the latest emerging needs and staff evaluates all purchases before any commitment is made as to the funding.</p>
<p>22. The Advisory Board recommends that other items that meet the capitalization policy should be revisited.</p>	<p>MWRA's staff evaluates each project on its own merit and determines if they meet the capitalization criteria.</p>

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
<p>23. The Advisory Board recommends that the co-digestion pilot program should not be resumed until an updated estimate on the costs required to resume the pilot program are detailed and the Commonwealth provides the Authority with its plans for substantial financial support for the increased costs associated with the pilot program.</p>	<p>Staff currently considering alternative options, such as barging and updates the Board monthly on the progress. The pursuit of additional funding is part of the considerations. Also, staff is continuing to assess and refine the capital and operating costs associated with the pilot program.</p>
<p>24. The Advisory Board recommends that the Authority clearly identify and share with member communities what steps it can take to directly control the diversion of additional organic food waste into the wastewater stream.</p>	<p>Staff will review its sewer use regulations, education, and outreach programs and other practices of POTW's nationwide to determine if additional steps must be taken and will work closely with the Advisory Board on the issue.</p>
<p>25. The Advisory Board is recommending that the sunset provision on its proposed entrance fee payment schedule be extended one full year to June 30, 2015.</p>	<p>MWRA staff do not object to this recommendation. In 2012, the MWRA Advisory Board adopted recommendations to revise the terms of entrance fee payment for water system expansion to allow new water served communities to pay the entrance fee over 25 years, with no interest assessed, and to allow payment to start in the fourth year. In discussions with prospective communities, allowing payment of the entrance fee over 25 years appeared to be well received. MWRA staff urge that MWRA and the MWRA Advisory Board continue to keep open the possibility of payment of the entrance fee over 25 years with no interest. As experience has indicated, the process to become an MWRA water community may take a while, as communities weigh options very carefully, various Town meeting or City Council votes may be required, and there are regulatory processes that must be completed prior to application to MWRA. MWRA staff believe that if the Community is taking concrete steps to join MWRA, such as a Town Meeting vote, or submission of MEPA documentation indicating MWRA is the preferred option, these actions should be considered actions that satisfy the sunset provision's deadline.</p>
<p>26. The Advisory Board recommends that the payback period for Phase 9 and Phase 10 of the Inflow/Infiltration Local Financial Assistance Program be extended to ten years.</p>	<p>Agree.</p>
<p>27. The Advisory Board recommends that Phase 9 and Phase 10 of the Inflow/Infiltration Local Financial Assistance Program be reconfigured to allow for a grant/loan ratio of 75% grants and 25% interest-free loans.</p>	<p>Agree. Although, doubling of the traditional amounts per phase and changing the grant/loan ratio, specifically the grants from 45% to 75% will result in higher borrowing cost for the Authority, the higher cost will be repaid by the communities through assessments over time.</p>
<p>28. Formally, the Advisory Board recommends that in FY15 and all future years, any Debt Service Assistance received from the Commonwealth be utilized in the fiscal year immediately following its receipt in the form of a direct reduction to the rate revenue requirement.</p>	<p>Agree. If in the future years the Commonwealth were to appropriate funds at expected levels for Debt Service Assistance, this recommendation might be revisited.</p>

MWRA's Responses to the Advisory Board's FY2015 Integrated CIP and CEB Recommendations and Comments

Advisory Board Recommendations/Comments	MWRA Responses
<p>29. The Advisory Board recommends that the Authority begin immediately to address molybdenum limits found in its biosolids with the goal of ensuring its processed pellets can be placed in-state throughout the entire year, using any of the methods discussed and present a specific and detailed plan to do so to the MWRA Board of Directors by October 2014.</p>	<p>Staff concur with the Advisory Board's goal of placing more pellets in the Commonwealth of Massachusetts. MWRA staff are continuing to evaluate options, including revisions to the DEP regulatory limits, to ensure its pellets can be placed in-state throughout the year and agree to return to the Board with recommendations.</p>