



Massachusetts Water Resources Authority

Presentation to the

Wastewater Advisory Committee

Fiscal Year 2014

Proposed

Capital Improvement and Current Expense Budget

Overviews

April 5, 2013



Agenda for CIP and CEB Budget Review

- **MWRA an agency in Transition**
 - An agency nearing steady-state
 - Debt Repayment
- **Capital Improvement Program**
 - FY12 Actual Results & FY13 Year to Date Results through February
 - FY14 Proposed CIP Overview
 - FY14 Proposed FY14-18 Cap Overview
 - FY14-18 Proposed Spending
 - FY14-18 Major Initiatives
- **Current Expense Budget**
 - FY12 Actual Results & FY13 Results through February
 - FY14 Proposed Overview
 - Expenses and Revenues
 - Rates Outlook



FY14 Proposed CEB & CIP Budgets

FY14 represents a significant milestone for both the CIP and CEB programs.

The FY14 Proposed Budgets:

- Presents the next five-year Cap;
- Projects the lowest five-year spending to date;
- Recommends a 3.9% combined rate increase;
- See debt burden reduced; and
- Begins a new era of paying more principal than interest.



FY14 Proposed CEB & CIP Budget Summaries

FY14 Proposed CEB (in millions)

Rate Revenue Requirement	\$631.2	3.9% increase from FY13	
Direct Expenses	\$214.8	Rate Revenue	\$631.2
Indirect Expenses	\$47.7	Investment Income	\$11.8
Capital Financing (net)	<u>\$398.0</u>	Other Revenue	<u>\$17.6</u>
Total Expenses	\$660.6	Total Revenue	\$660.6

FY14 Proposed CIP

FY14-18 spending cap	\$793.5 million
FY14 spending	\$138.2 million



Fiscal Year 2012 Capital Improvement Program Year-End Results

\$ in Millions	Budget	Actuals	\$ Var.	% Var.
Wastewater System Improvements				
Interception & Pumping	10,401,156	5,993,887	-4,407,269	-42.4%
Treatment	39,986,919	16,350,949	-23,635,970	-59.1%
Residuals	714,577	0	-714,577	-100.0%
CSO	34,710,526	47,571,744	12,861,219	37.1%
Other	1,814,652	5,835,910	4,021,259	221.6%
Total Wastewater System Improvements	87,627,830	75,752,491	-11,875,338	-13.6%
Waterworks System Improvements				
Drinking Water Quality Improvements	26,061,379	18,441,906	-7,619,472	-29.2%
Transmission	20,814,790	18,330,974	-2,483,816	-11.9%
Distribution & Pumping	12,215,067	14,268,492	2,053,426	16.8%
Other	8,519,845	4,276,414	-4,243,430	-49.8%
Total Waterworks System Improvements	67,611,081	55,317,788	-12,293,292	-18.2%
Business & Operations Support	9,858,378	6,575,919	-3,282,458	-33.3%
Total MWRA	165,097,289	137,646,199	-27,451,089	-16.6%

Spending through year-end totaled \$137.6 million which was \$27.5 million or 16.6% below budget.



FY12 Capital Improvement Program Year-End Results (continued)

The main reasons for FY12 underspending were:

- Wastewater Treatment of \$23.6 million - due to lower award and delay for North Main Pump Station Variable Frequency Drive Construction and project delays such as the Clarifier Flushing System, Expansion Joint Repair, Barge Berth and Facility Replacement, Digester Module 1 & 2 Pipe Replacement and As-needed Design Contracts.
- Drinking Water Program of \$7.6 million – mainly due to lower than budgeted award for the Spot Pond Design/Build contract.
- Interception and Pumping Program of \$4.4 million – mainly due to delays in the Upper Neponset Valley project of \$1.1 million, the Chelsea Creek Upgrade Engineering Services during Construction of \$848,000 and the Chelsea Creek Design of \$668,000.
- Local Water Pipeline Assistance Program of \$3.3 million – due to lower than anticipated requests for funding from communities.
- Water Transmission of \$2.5 million – mainly due to delays in Long-Term Redundancy, Quabbin Transmission System, and timing of Watershed land purchases.



FY12 Capital Improvement Program Year-End Results (continued)

Underspending offset by overspending for:

- Combined Sewer Overflow (CSO) program of \$12.9 million due to the timing of the payments for the Reserved Channel Sewer Separation and the Brookline Sewer Separation projects;
- Inflow/Infiltration (I/I) of \$4.0 million due to higher community requests for grants/loans; and
- Water Distribution and Pumping of \$2.1 million mainly due to greater than budgeted spending for Lynnfield Pipeline and Northern Intermediate High Redundancy & Storage – Reading/Stoneham Interconnections.

Other projects showing overspending include \$1.2 million for Lower Hultman Rehabilitation and \$757,000 for Dam Projects Modifications and Repairs due to an accelerated schedule and contractor progress on the Foss and Weston Dams.



Fiscal Year 2013 Capital Improvement Program through February

\$ in Millions	Budget	Actuals	\$ Var.	% Var.
Wastewater System Improvements				
Interception & Pumping	2,411,307	1,668,928	-742,379	-30.8%
Treatment	14,435,078	9,941,850	-4,493,228	-31.1%
Residuals	357,289	287,526	-69,763	-19.5%
CSO	15,776,089	15,637,329	-138,759	-0.9%
Other	2,927,322	21,645,314	18,717,993	639.4%
Total Wastewater System Improvements	35,907,085	49,180,949	13,273,864	37.0%
Waterworks System Improvements				
Drinking Water Quality Improvements	27,648,670	22,916,033	-4,732,636	-17.1%
Transmission	12,117,835	11,850,386	-267,449	-2.2%
Distribution & Pumping	5,017,313	3,225,180	-1,792,132	-35.7%
Other	1,981,131	11,810,156	9,829,026	496.1%
Total Waterworks System Improvements	46,764,949	49,801,756	3,036,807	6.5%
Business & Operations Support	5,402,834	2,300,277	-3,102,556	-57.4%
Total MWRA	88,074,868	101,282,983	13,208,115	15.0%

Spending through February totaled \$101.3 million which is \$13.2 million or 15.0% higher than budget. After accounting for programs not directly under MWRA's control, most notably the Local Water Pipeline program, the Inflow and Infiltration (I/I) program, and the community managed Combined Sewer Overflow (CSO's) projects, the variance is \$15.9 million or 18.0% underbudget.



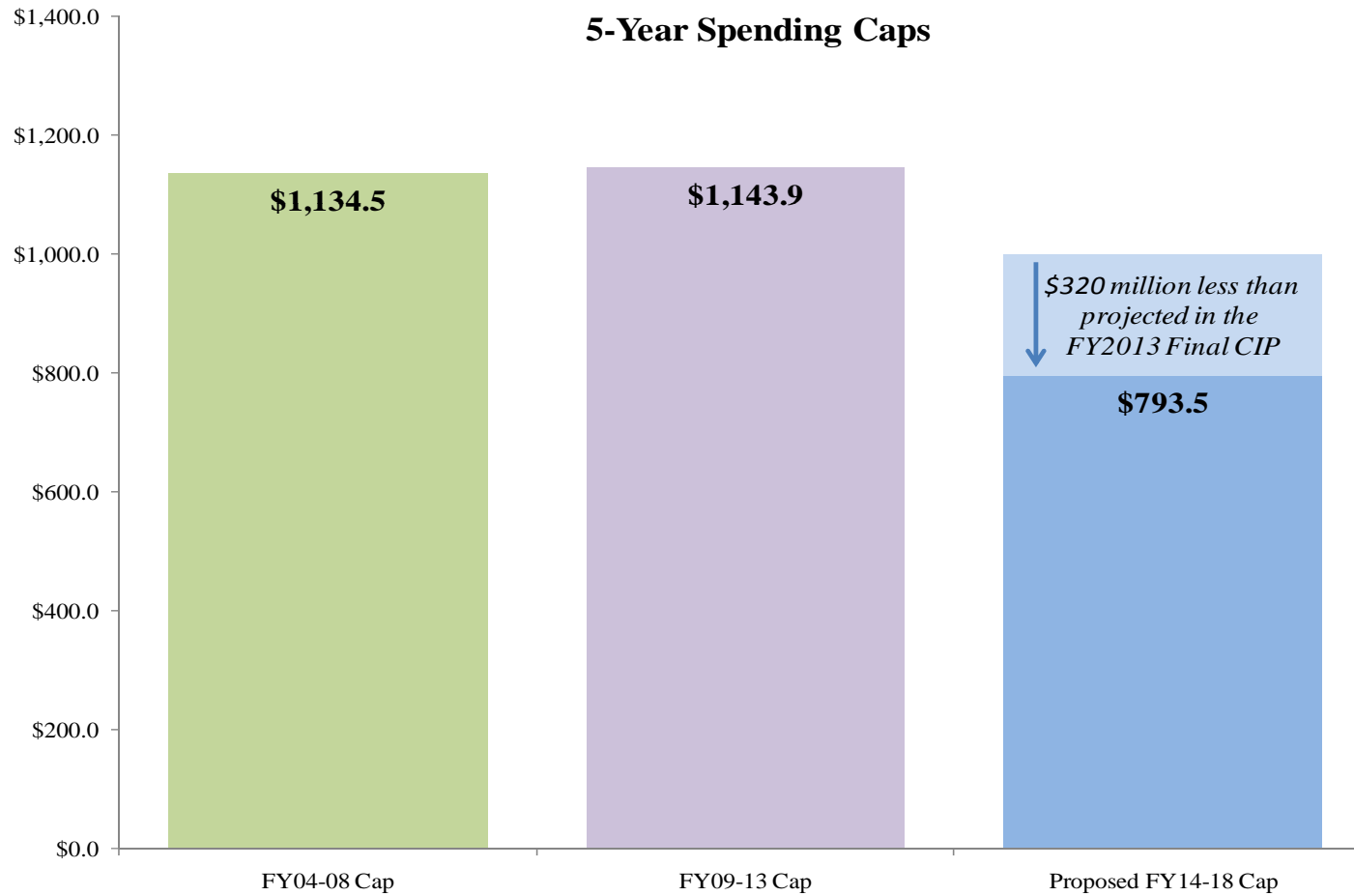
FY13 CIP Year-End Projection

- Expect to be on-budget or slightly over by year-end.
- The I/I and Water Pipeline Improvement programs overspending is expected to be offset by underspending in Treatment and Drinking Water Improvement mostly for project delays.



Historical Five-Year Cap Periods

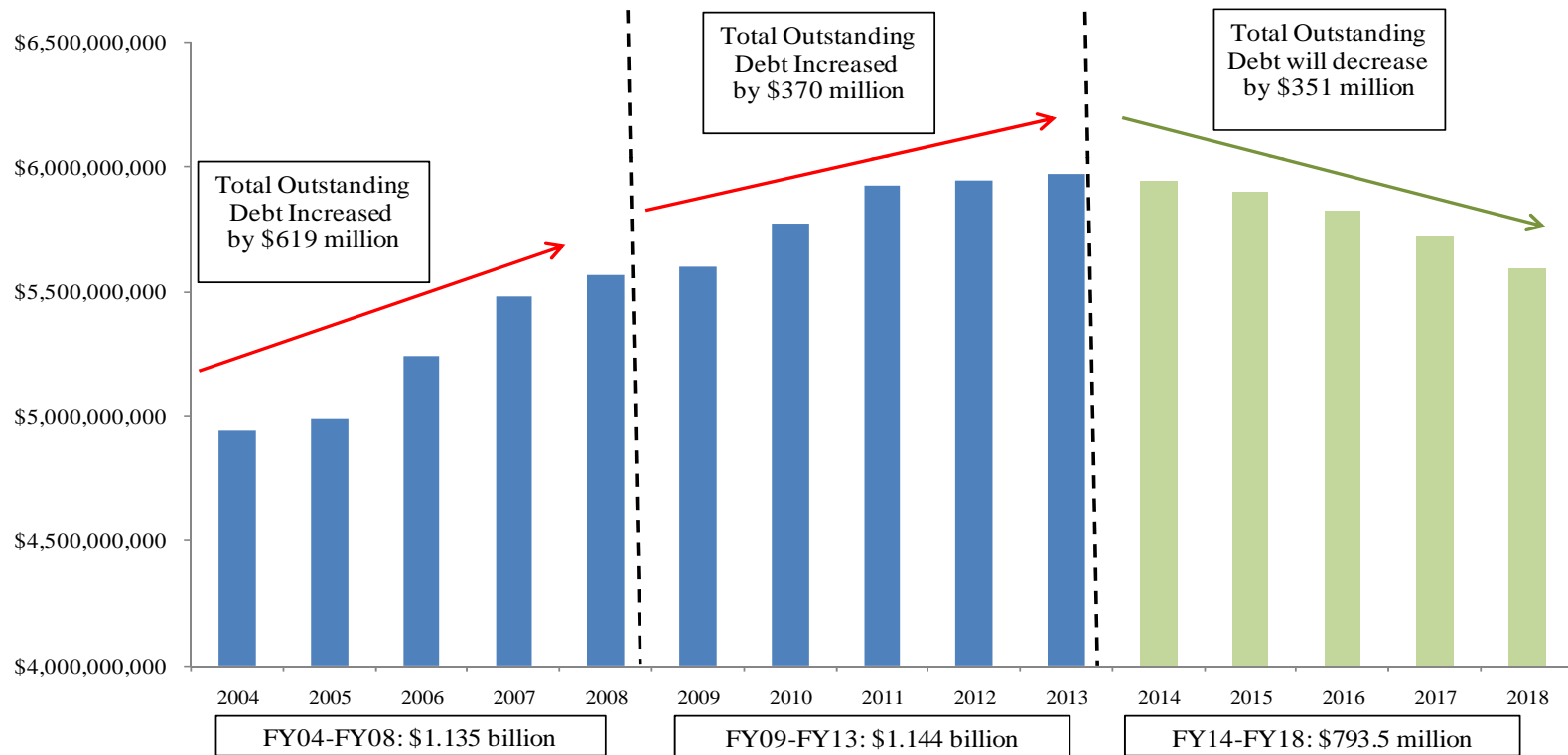
The Proposed FY14-18 Cap shows significant reduction from previous Caps





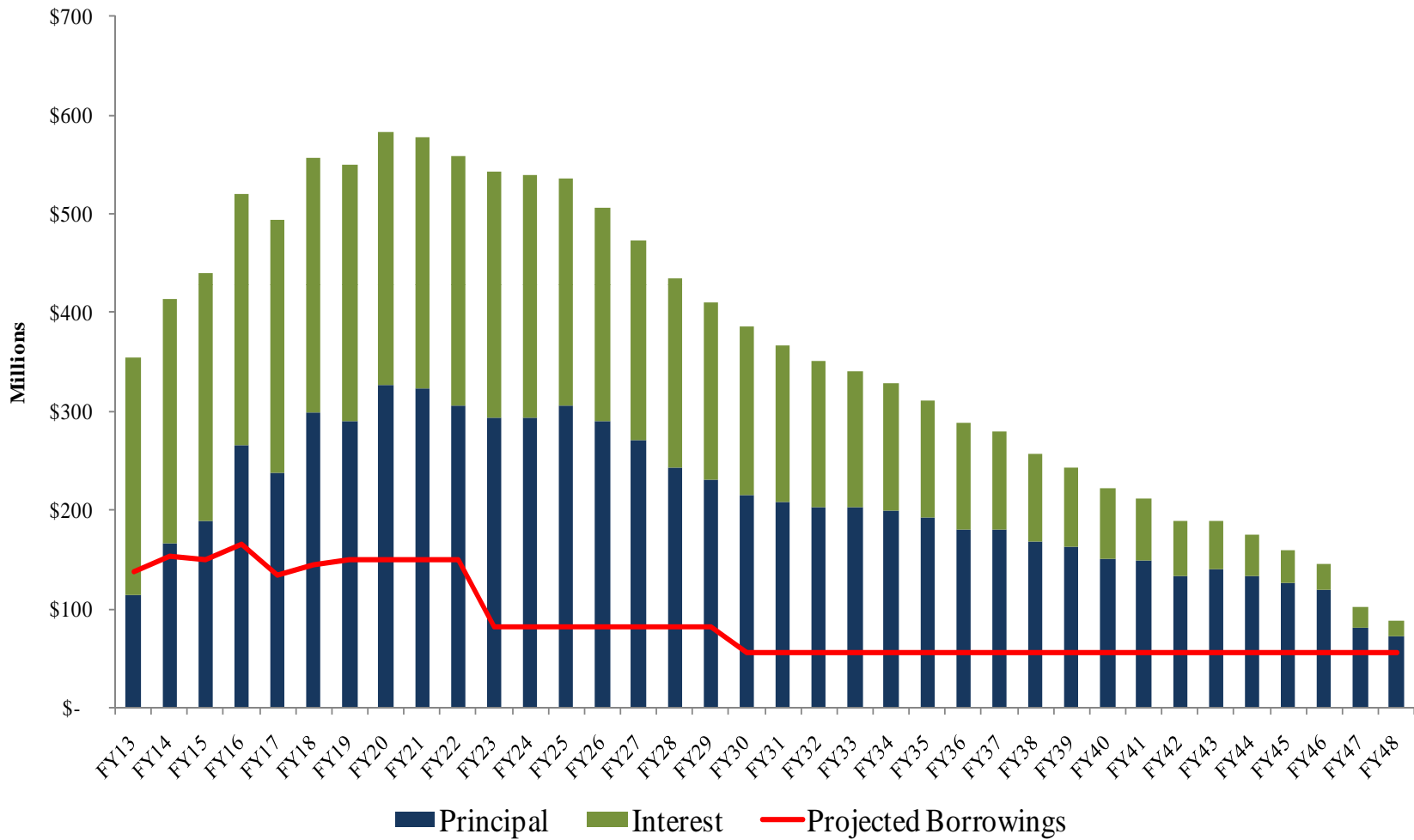
Total Outstanding Debt

MWRA's Outstanding Debt





MWRA's Projected Debt Service and Projected Borrowings





Authority's Continued Strategy

- Support the core operations and insure meeting the operating permits;
- Continue the Authority's long standing multi-year assessment strategy;
and
- Paying off the daunting debt of \$5.8 billion.



Staff Took Into Consideration

- Acknowledgement of tough economic times;
- Management of all expenses, with focus on controllable costs;
- Long-term effect of capital borrowing;
- Advisory Board recommendations;
- Recognition of the changing nature of the capital program; and
- Reevaluation of planning estimate assumptions.



Massachusetts Water Resources Authority

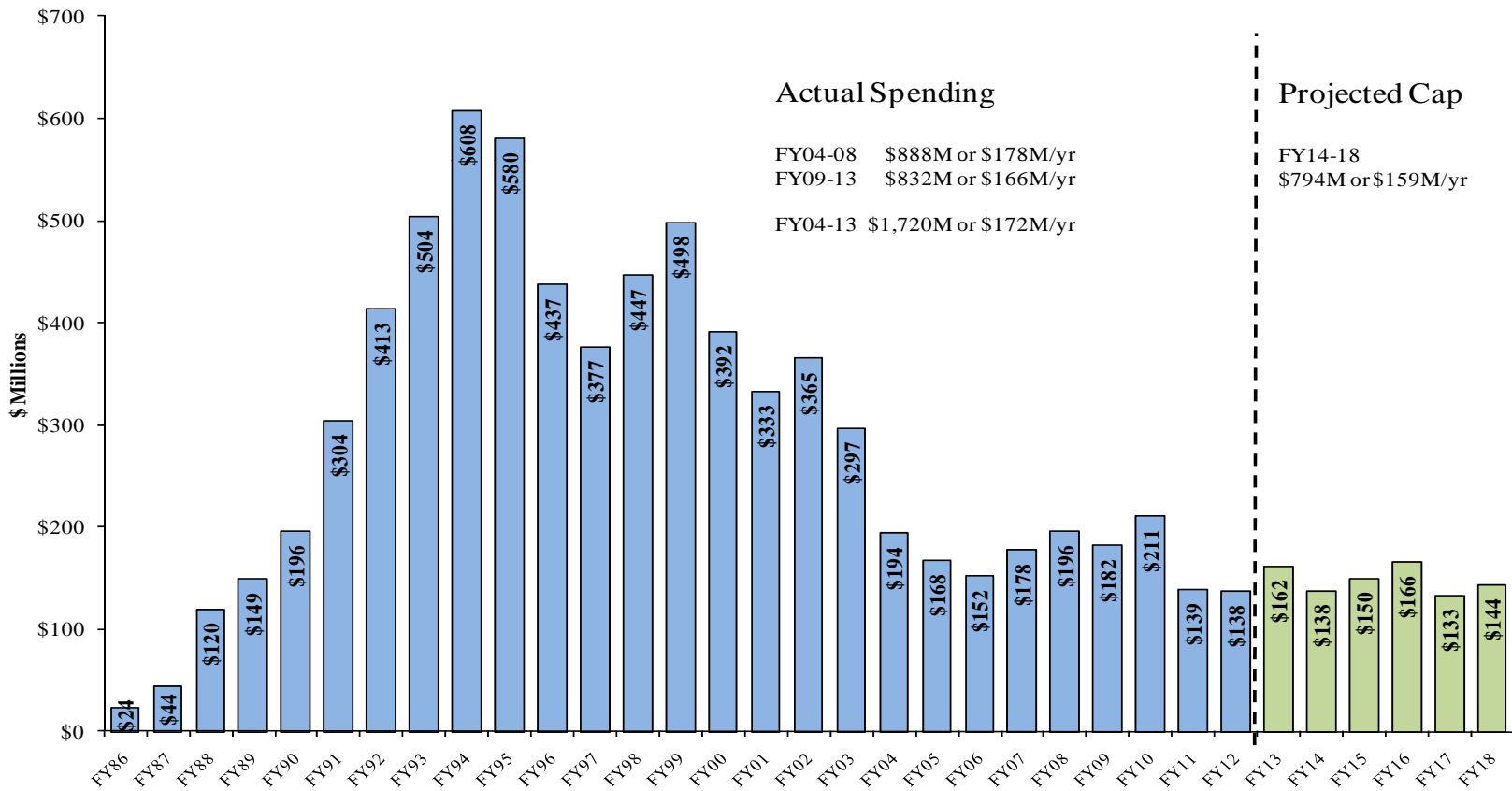
Fiscal Year 2014 Proposed Capital Improvement Program





Historical CIP Spending

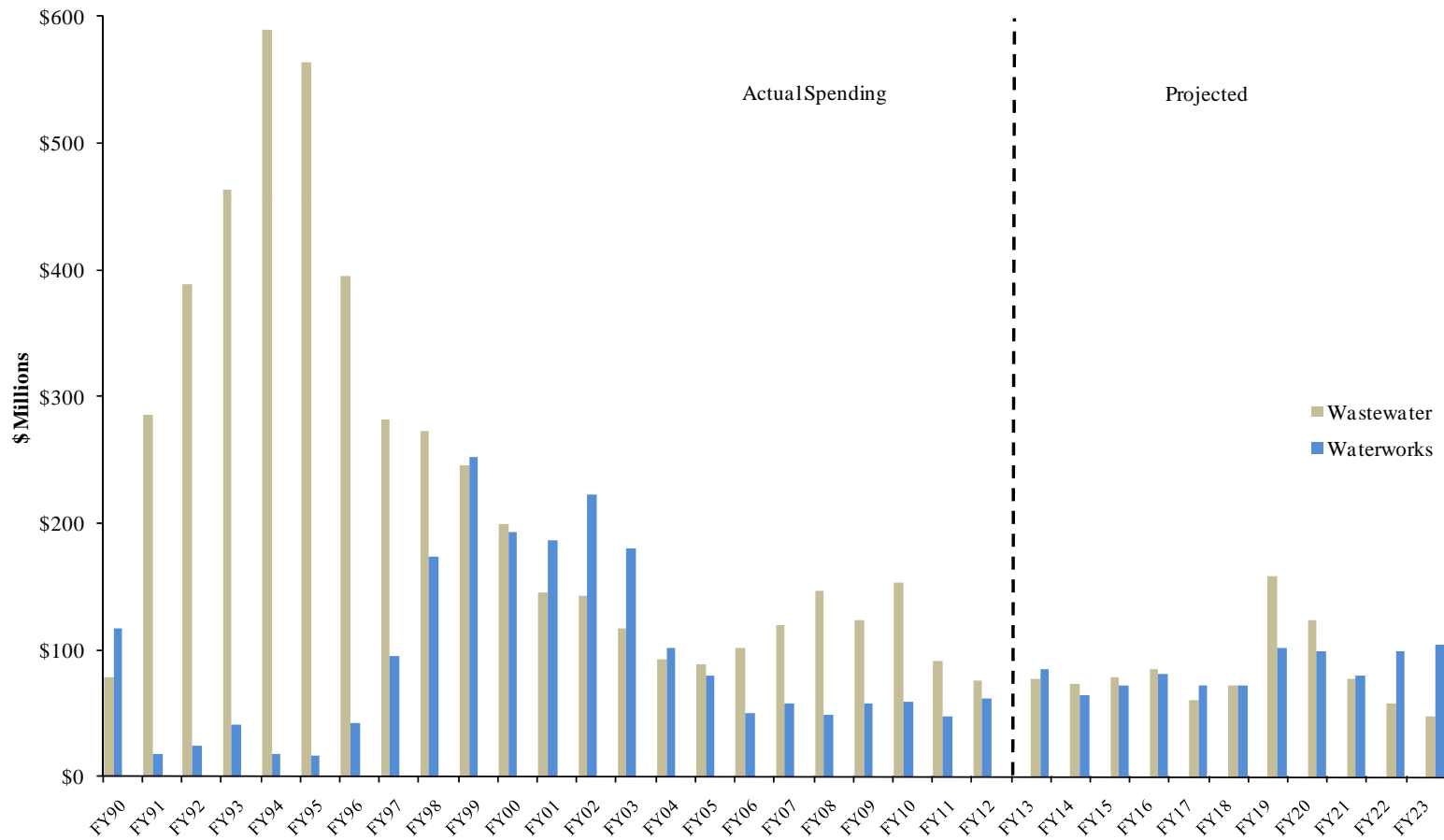
MWRA Capital Spending





Historical & Projected CIP Spending

MWRA Capital Spending Wastewater & Waterworks





Proposed FY14-18 Base-Line Cap

Recap per year of the prior two Caps and the Proposed FY14-18 Cap

FY04-08 Baseline Cap	FY04	FY05	FY06	FY07	FY08	Total FY04-08
	\$ 250.9	\$ 203.5	\$ 215.2	\$ 250.1	\$ 214.8	\$ 1,134.5

FY09-13 Baseline Cap	FY09	FY10	FY11	FY12	FY13	Total FY09-13
	\$ 244.4	\$ 264.1	\$ 230.0	\$ 207.0	\$ 198.4	\$ 1,143.8

FY14 Proposed		FY14	FY15	FY16	FY17	FY18	Total FY14-18
	Projected Expenditures	\$138.2	\$150.1	\$166.2	\$133.4	\$144.1	\$732.0
	Contingency	8.4	10.0	11.2	9.2	9.8	48.6
	Inflation on Unawarded Construction	1.3	4.4	9.1	10.3	13.8	38.9
	Less: Chicopee Valley Aqueduct Projects	(4.9)	(4.9)	(8.0)	(7.8)	(0.4)	(26.1)
	FY14 Proposed FY09-13 Cap	\$ 143.0	\$ 159.6	\$ 178.5	\$ 145.1	\$ 167.3	\$ 793.5

- ✓ The spending Cap at \$794 million – below the \$800 million recommended by the Advisory Board.



Capital Improvement Program – Shift from Mandated Projects

Approximately 80% of the spending to date has been for mandated projects, most notably the Combined Sewer Overflow (CSO) program.

Having nearly completed the first phase of its mission, the Authority now must preserve its operating assets and establish redundancy to ensure continuous operations.

Going forward the majority of spending will support the following:

- Asset Protection

- Water Redundancy

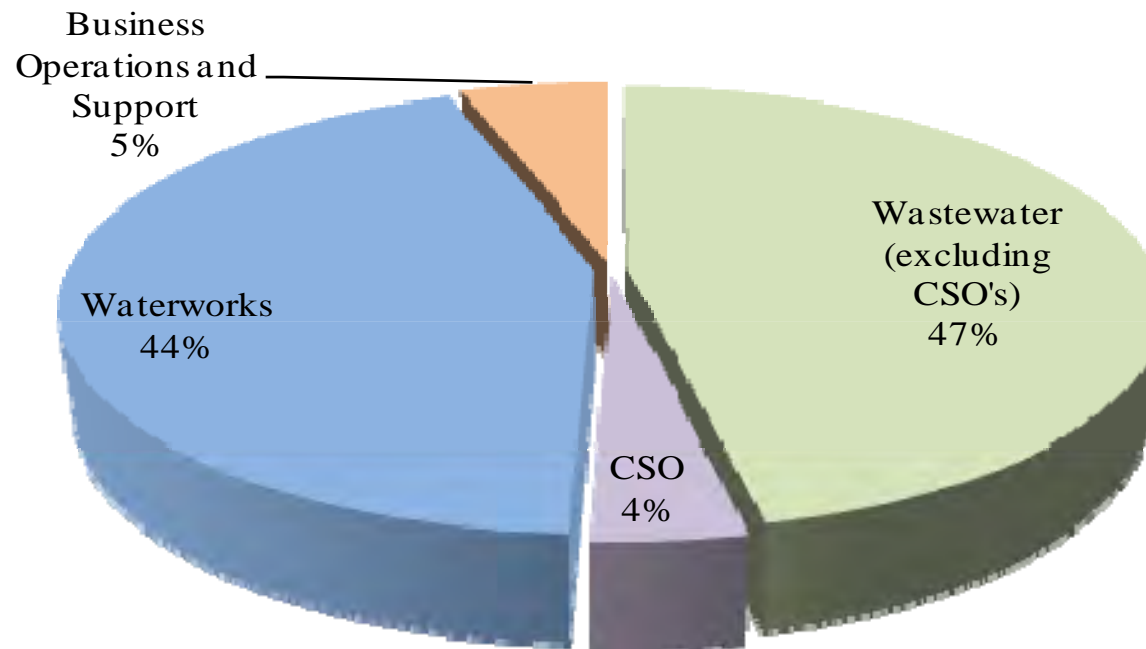
- Pipeline Replacement and Rehabilitation

- Energy Initiatives



FY14-18 Proposed CIP Expenditures

During the FY14-18 timeframe, Wastewater and Waterworks are at approximately the same level





Capital Improvement Program – Shift from Mandated Projects

	Total Contract	FY09-13	FY14-18	Beyond 18
Asset Protection	\$ 1,934.3	\$ 250.6	\$ 384.2	\$ 664.1
Carroll WTP	\$ 432.3	\$ 39.1	\$ 20.4	\$ 0.1
Water Redundancy	\$ 1,853.6	\$ 141.2	\$ 243.5	\$ 606.2
CSO	\$ 842.3	\$ 315.7	\$ 28.8	\$ 0.3
Other	\$ 535.5	\$ 85.8	\$ 55.1	\$ (100.1)
Total	\$ 5,598.0	\$ 832.5	\$ 732.0	\$ 1,170.6

Asset Protection	34.6%	30.1%	52.5%	56.7%
Carroll WTP	7.7%	4.7%	2.8%	0.0%
Water Redundancy	33.1%	17.0%	33.3%	51.8%
CSO	15.0%	37.9%	3.9%	0.0%
Other	9.6%	10.3%	7.5%	-8.5%
Total	100.0%	100.0%	100.0%	100.0%

Striking a balance between maintenance and infrastructure improvements



On-Going Capital Projects



Lower Hultman Aqueduct Rehabilitation



River Road Blue Dye Test

NTP September 2009
Total Contract: \$52.9M
FY09-13: \$52.2M
FY14-18: \$ 0.7M



River Road 60-inch WASM 4 Connection



Upper Hultman Aqueduct Rehabilitation

NTP April 2012

Total Contract: \$5.8M

FY09-13: \$5.6M

FY14-18: \$0.1M



Load Testing of Hoist



Removing 72-inch Spool Piece



Carroll Water Treatment Plant UV



NTP May 2011
Total Contract: \$30.8M
FY09-13: \$28.0M
FY14-18: \$ 2.6M

B Side UV Train Installed



A Side Grounding Rods and Wiring



Spot Pond Covered Storage Facility and Pump Station

NTP November 2011

Total Contract: \$49.8M

FY09-13: \$21.1M

FY14-18: \$28.7M





Oakdale Electrical Upgrade – Phase 1



New Switchgear

NTP April 2012

Total Contract: \$2.2M

FY09-13: \$2.1M

FY14-18: \$0.1M



Oakdale Power Facility, West Boylston



Clinton Treatment Plant Aeration

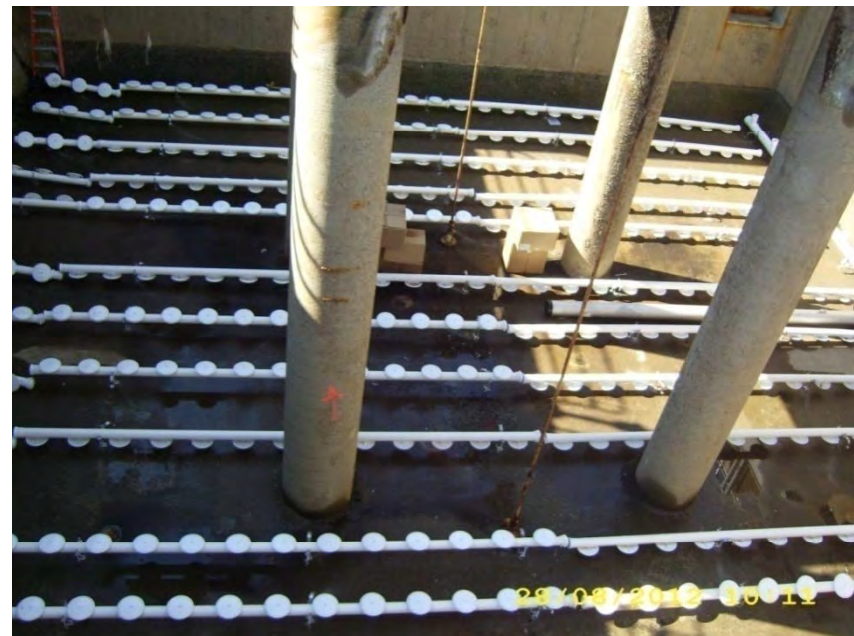


Leak Testing

NTP April 2012

Total Contract: \$2.0M

FY09-13: \$2.0M



Diffuser Bubblers



Deer Island: North Main Pump Station Motors and VFDs

VFDs:

NTP December 2011

Total Contract \$24.1M

FY09-13: \$ 4.2M

FY14-18: \$19.9M



Motors:

NTP January 2012

Total Cost: \$0.9M

FY09-13: \$0.9M



Upcoming Capital Projects

- Headworks Upgrades
- Wachusett Aqueduct Pump Station
- Northern Intermediate High
- Southern Extra High Redundancy



Chelsea Headworks Rehabilitation

Notice to proceed: Feb. 2015

Total Contract: \$52.1M

FY14-18 Spending: \$46.2M



Mechanical Screen



Grit Collector Drive



Wachusett Aqueduct Pump Station

Notice to proceed: April 2014

Total Contract: \$45.6M

FY14-18 Spending: \$45.6M





Northern Intermediate High Redundancy

Section 89&29 - Phase 1

Notice to proceed: July 2014

Total Contract: \$21.3M

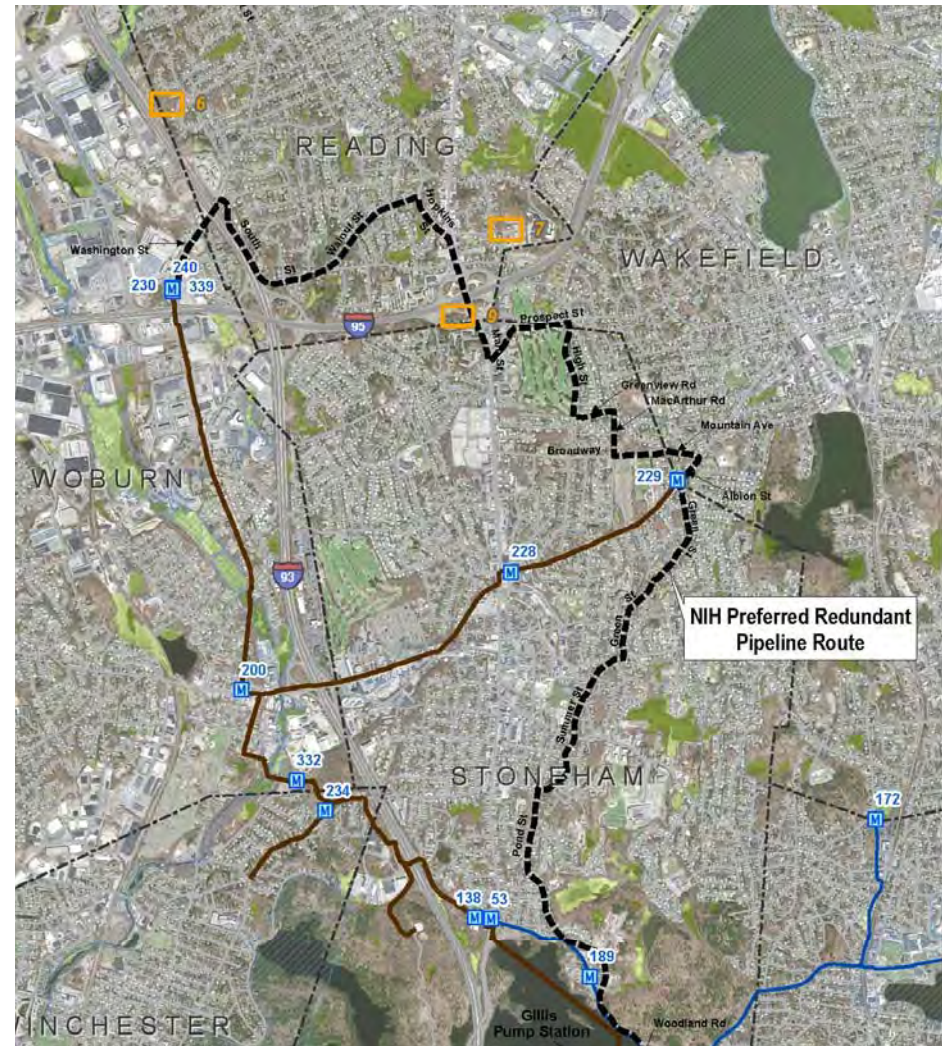
FY14-18 Spending: \$21.3M

Section 89&29 - Phase 2

Notice to proceed: Sept. 2014

Total Contract: \$21.7M

FY14-18 Spending: \$21.7M



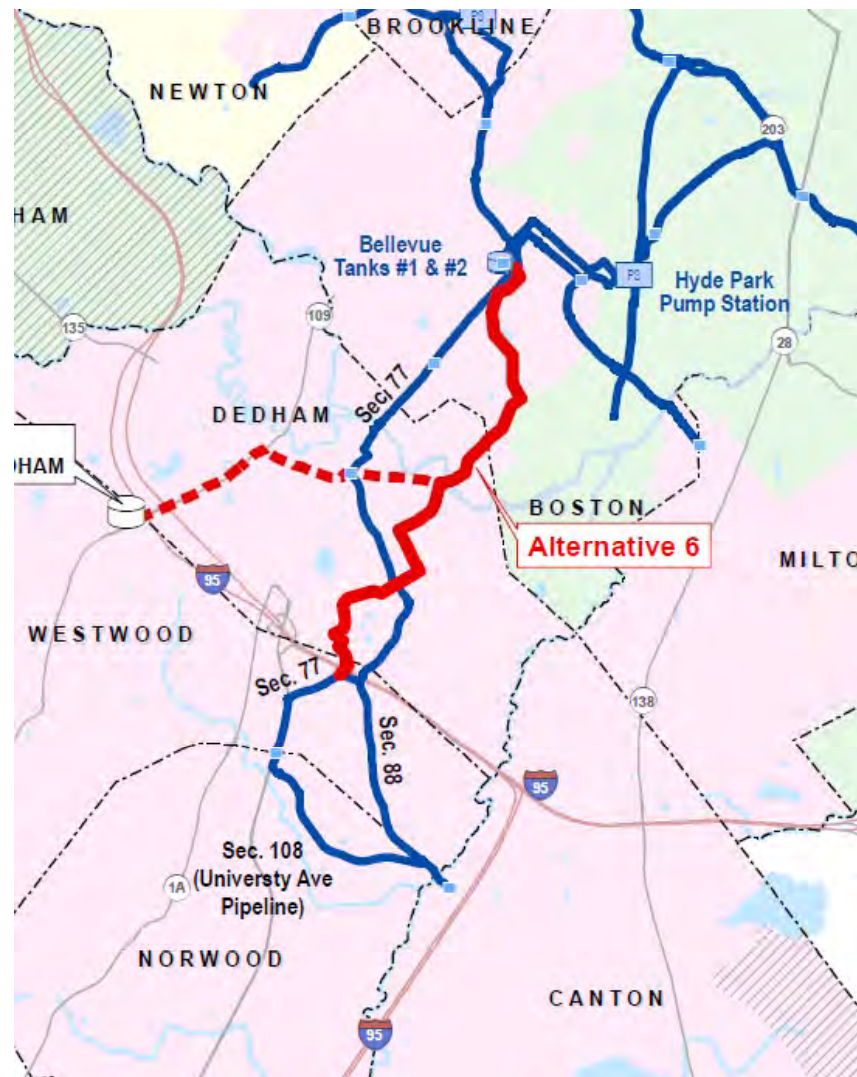


Southern Extra High Redundancy

Notice to proceed: Jan. 2016

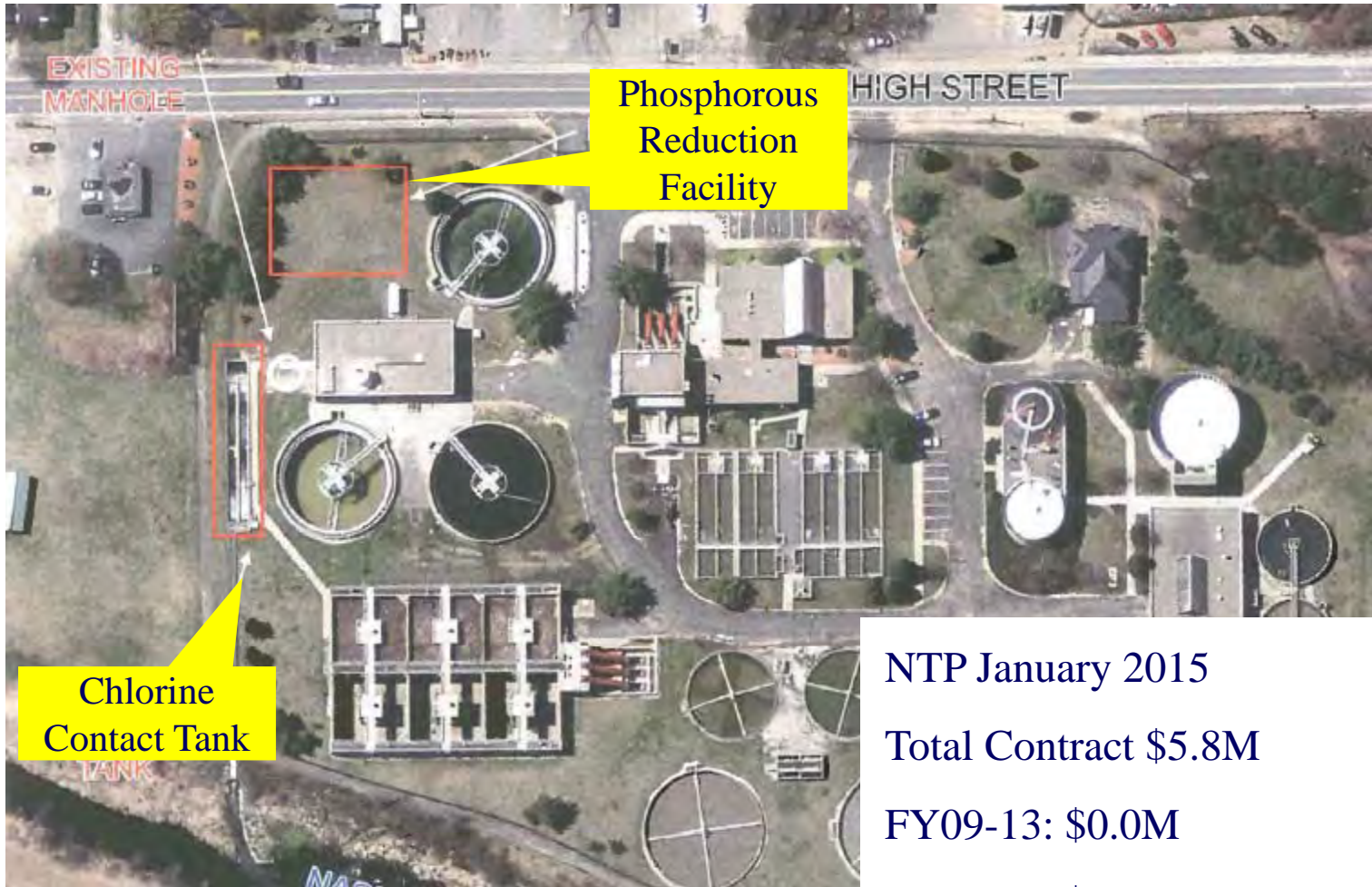
Total Contract: \$28.3M

FY14-18 Spending: \$21.2M





Clinton Treatment Plant Phosphorous Removal



NTP January 2015

Total Contract \$5.8M

FY09-13: \$0.0M

FY14-18: \$5.8M



Deer Island: Scum Skimmer Replacement



Notice to proceed: April 2013

Total Contract: \$20.0M

FY14-18 Spending: \$20.0M



Future CIP Risk Factors

- Timing and cost of Cambridge CSO project
- Pelletizing Facility rehabilitation or replacement
- Sudbury Aqueduct – tunnel v. surface pipeline
- New regulatory mandates



Massachusetts Water Resources Authority

MWRA Fiscal Year 2014

Proposed

Current Expense Budget



Fiscal Year 2012 Current Expense Budget Year-End Results

Fiscal Year 2012				
Expenses	Budget	Actual	Variance	%
Direct Expenses	\$209,286,493	\$204,834,898	-\$4,451,596	-2.1%
Indirect Expenses	\$40,892,249	\$40,570,912	-\$321,337	-0.8%
Debt Service	\$367,979,918	\$364,752,000	-\$3,227,918	-0.9%
TOTAL EXPENSES	\$618,158,660	\$610,157,810	-\$8,000,848	-1.3%
TOTAL REVENUE	\$618,158,660	\$619,979,621	\$1,820,961	0.3%
REVENUE LESS EXPENSES	\$0	\$9,821,809	\$9,821,809	

- Year-End Surplus of \$9.8 million, after completion of the initial FY12 Defeasance. In September 2012, the Board of Directors approved using the remaining \$9.8 million in funds to redeem the 2016 Maturity of the 2008 Series F bonds reducing debt service between FY13 and FY16 by \$15.5 million.
- The debt service of \$364.8 million includes \$24.1 million used to defease future debt service to provide rate relief in FY13-FY16.



Fiscal Year 2013 Current Expense Budget through February

Fiscal Year 2013 year-to-date February				
Expenses	Budget	Actual	Variance	%
Direct Expenses	\$136,865,398	\$132,980,390	-\$3,885,007	-2.8%
Indirect Expenses	\$34,030,086	\$33,521,084	-\$509,002	-1.5%
Debt Service	\$248,433,488	\$248,669,065	\$235,577	0.1%
TOTAL EXPENSES	\$419,328,972	\$415,170,539	-\$4,158,433	-1.0%
TOTAL REVENUE	\$428,382,915	\$429,860,941	\$1,478,026	0.3%
REVENUE LESS EXPENSES	\$9,053,943	\$14,690,403	\$5,636,460	

Direct Expense underspending is due to lower wages and salaries, other services, fringe benefits, workers' compensation, professional services, and utilities.

Indirect Expense underspending is mainly due to FY12 overaccrual for Watershed Reimbursement and lower insurance expenses due to lower claims.

Debt Expense is slightly higher than budget after the transfer of \$8.5 million to the Defeasance account and recognition of the loss of Debt Service Assistance (DSA) per the Governor's 9C cuts.



FY13 CEB Year-End Projection

Fiscal Year 2013 CEB year-end projection				
Expenses	Budget	Projection	Variance	%
Direct Expenses	\$214,915,886	\$211,342,272	-\$3,573,615	-1.7%
Indirect Expenses	\$45,692,593	\$45,014,538	-\$678,055	-1.5%
Debt Service	\$375,248,070	\$373,357,924	-\$1,890,146	-0.5%
TOTAL EXPENSES	\$635,856,549	\$629,714,734	-\$6,141,815	-1.0%
TOTAL REVENUE	\$635,856,549	\$637,357,549	\$1,501,000	0.2%
REVENUE LESS EXPENSES	\$ -	\$7,642,816	\$7,642,816	

The defeasance account is projected to reach \$15.8 million by year-end.



FY13 CEB Year-End Projection

- Overall, year-end surplus of \$7.6 million projected.
- Lower Direct Expenses of \$3.6 million mainly for lower Wages and Salaries and Fringe Benefits due to lower headcount and lower Other Services due to lower projected Sludge Pelletization offset by higher Other Materials for radio purchase.
- Lower Indirect Expenses of \$678,000 due to delay in HEEC special projects, lower insurance claims and Watershed expenses.
- Lower Debt Service Expense of \$1.9 million due to lower than projected State Revolving Fund (SRF) borrowings and favorable impacts of earlier refundings.



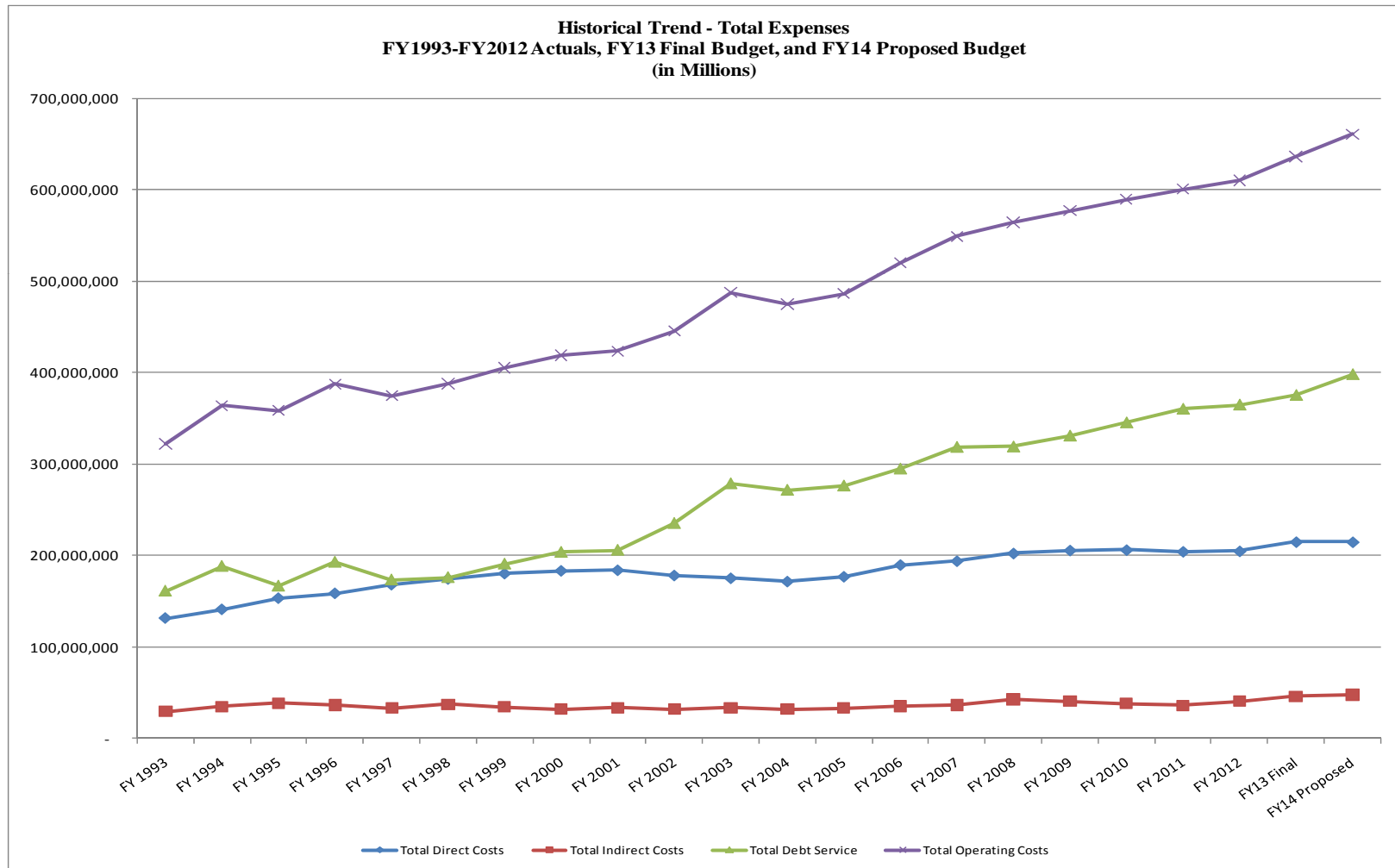
FY14 Proposed Current Expense Budget (CEB)

The FY14 Proposed CEB:

- The MWRA has a multi-year rates management strategy of providing predictable and reasonable rate increases to our member communities.
- The FY14 Proposed Budget puts forth a 3.9% combined rate increase, which is lower than the 4.4% increase projected last year.



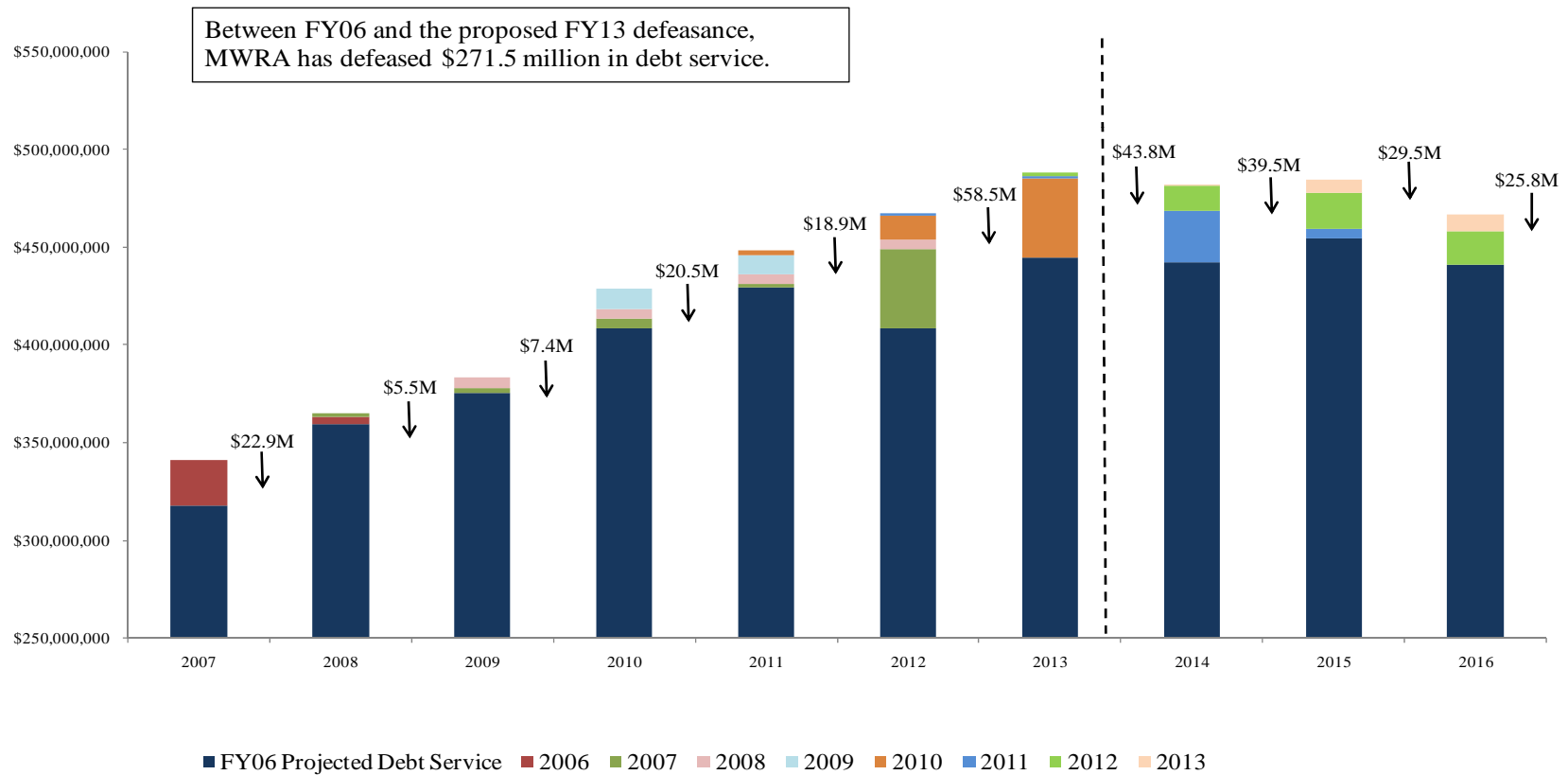
Historical Spending Chart





Impact of Defeasances Since FY06

Impact of Defeasances FY06 - Proposed FY13



Since FY06 MWRA has used defeasances to reduce future years debt service by \$271.5M



FY13 Defeasance Account

- At the January 2012 Board meeting, an account was established to collect all surplus debt service funds each month, this continues in 2013.
- As of the end of February 2013, there was a balance of \$8.5 million in this designated defeasance account.
- These funds will be used in June 2013 to execute a defeasance to provide targeted rate relief in FY15-16.
- Until the actual execution of the defeasance at the end of the fiscal year, these funds remain available for other uses should conditions change.



Use of Reserves in Long-Term Rates Management Strategy

The MWRA has a total of \$72.9 million in Rate Stabilization and Bond Redemption funds.

\$40.0 million in Rate Stabilization

\$32.9 million in Bond Redemption Fund

Fiscal Year	Rate Stabilization	Bond Redemption	Fiscal Year-End Balance.
2013			\$ 72,866
2014	\$ 3,500	\$ -	\$ 69,366
2015	\$ 8,089	\$ 3,911	\$ 57,366
2016	\$ 8,848	\$ 3,152	\$ 45,366
2017	\$ 6,217	\$ 5,783	\$ 33,366
2018	\$ -	\$ 4,740	\$ 28,626
2019	\$ 2,448	\$ 2,177	\$ 24,001
2020	\$ 9,121	\$ 2,880	\$ 12,000
2021	\$ -	\$ -	\$ 12,000
2022	\$ 1,789	\$ 10,211	\$ -
2023	\$ -	\$ -	\$ -
TOTAL	\$ 40,012	\$ 32,854	



Indenture Change - Release of Reserves

- Indenture change will release over \$100 million in reserve funds.
- The Planning Estimates reflect the application of over \$75 million from the Debt Service Reserve Release over 14 years.
- The reserve release will make a significant impact in mitigating rate increases in some of the most challenging years.



Major FY14 Proposed Budget Assumptions

- Reduction of 20 positions to a funded headcount of 1,175 in line with the Staffing Study;
- Use of \$3.5 million use of Rate Stabilization funds;
- Over \$500,000 of debt service savings in FY14 from a proposed \$15 million defeasance targeting FY15 and FY16;
- The projected Release of Debt Service Reserves related to the upcoming amendments to the Bond Indenture in the planning estimates for the first time;
- Variable rate debt budgeted at 3.25% - same level as FY13;
- Investment Income budgeted at .20% versus .40% in FY13;



Major FY14 Proposed Budget Assumptions (cont.)

- Pension funding based on latest actuarial evaluation and revised mortality tables;
- Inclusion of \$5.0 million additional pension deposit;
- No Debt Service Assistance is included as no funds are included in the Governor's budget; and
- Tightening of certain planning estimate assumptions for future years and limiting annual capital improvement spending to \$160 million.



FY14 Proposed CEB

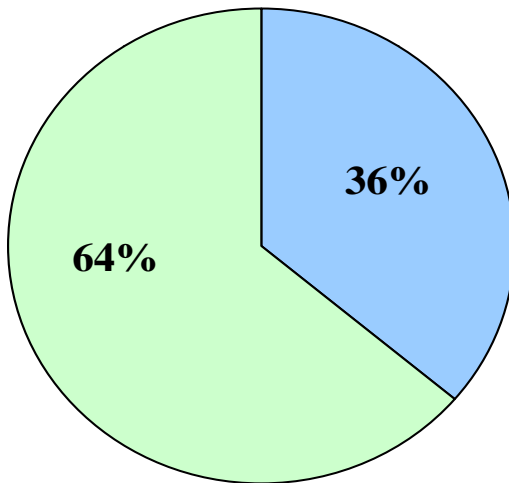
As shown below, 60% of the Authority's FY14 CEB is related to its debt obligations.

	FY14 Proposed Budget	% of Total Budget
Direct Expenses	\$ 214,845,904	33%
Indirect Expenses	\$ 47,706,703	7%
Total Debt Service (after offsets)	\$ 398,010,515	60%
Total Expense	\$ 660,563,123	
Rate Revenue	\$ 631,233,000	96%
Non-Rate Revenue	\$ 29,330,123	4%
Total Revenue	\$ 660,563,123	

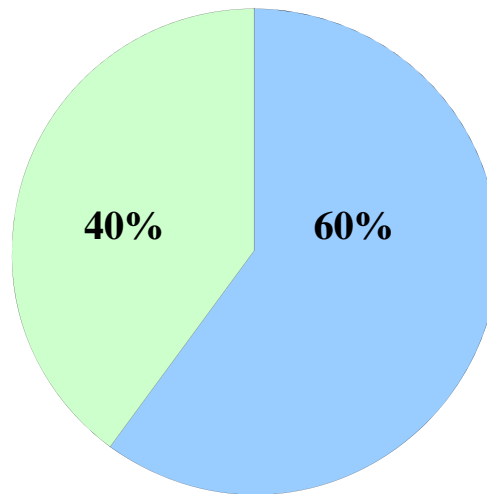


Debt Service is the Largest Portion of CEB

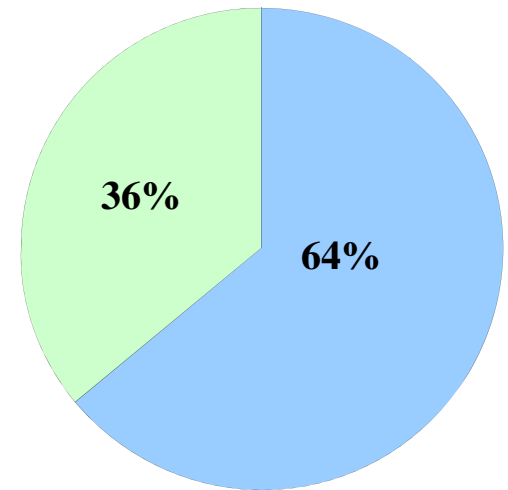
FY1990



FY2014



FY2017





FY14 Proposed CEB – Direct Expenses

Direct Expenses \$ in Millions	FY13 Budget	FY14 Proposed Budget	\$ Change	% Change
Wages and Salaries	\$ 94.1	\$ 94.6	\$ 0.6	0.6%
Overtime	3.6	3.6	0.0	0.2%
Fringe Benefits	18.2	17.6	(0.6)	-3.4%
Workers' Compensation	2.1	2.0	(0.1)	-3.6%
Chemicals	10.0	10.7	0.7	6.9%
Energy and Utilities	23.1	23.0	(0.1)	-0.6%
Maintenance	28.2	28.0	(0.3)	-0.9%
Training and Meetings	0.4	0.4	(0.0)	-7.8%
Professional Services	5.9	5.9	(0.0)	-0.5%
Other Materials	5.6	6.0	0.5	8.1%
Other Services	23.7	23.1	(0.6)	-2.6%
TOTAL DIRECT EXPENSES	\$ 214.9	\$ 214.8	\$ (0.1)	0.0%



FY14 Direct Expenses

Direct Expenses are level funded for the fifth time in six years.

Some of the changes are represented below:

Increases

- Increase for Chemicals of \$690,000 mainly for anticipated price increases;
- Increase for Wages and Salaries of \$553,000 mainly for cost of living increases offset by lower funded headcount;
- Increase for Other Materials of \$453,000 mainly for increased vehicle replacement requests;



FY14 Direct Expenses (continued)

Decreases

- Decrease for Fringe Benefits of \$628,000 due to lower headcount and that new employees contribute at a higher rate; and
- Decrease for Other Services of \$609,000 mainly for lower Sludge Pelletization expenses based on reduced utility indices.



FY14 Proposed CEB – Indirect Expenses

Indirect Expenses \$ in Millions	FY13 Budget	FY14 Proposed Budget	\$ Change	% Change
Insurance	\$ 2.1	\$ 2.1	\$ 0.0	2.2%
Watershed/PILOT	26.4	27.2	0.8	3.0%
HEEC	3.7	3.4	(0.4)	-9.5%
Mitigation	1.6	1.6	(0.0)	0.0%
Addition to Reserves	1.4	0.4	(1.0)	-74.0%
Retirement Fund	5.8	8.1	2.3	40.1%
OPEB/Additional Pension Deposit	4.7	5.0	0.3	5.3%
TOTAL	\$ 45.7	\$ 47.7	\$ 2.0	4.4%



Indirect Expenses

- Higher Pension Fund expense of \$2.3 million mainly for recognition of the revised mortality tables which account for \$2.2 million of the increase;
- Watershed expenses of \$802,000 mainly due to increased Payment in Lieu of Taxes (PILOT);
- Additional Pension Deposit of \$5.0 million; and
- Offset by lower Operating Reserve requirement of \$1.0 million.



MWRA Retirement System and Other Post Employment Benefits

- As of 1/1/2011, MWRA's Retirement System was **87.6%** funded. The unfunded liability stands at **\$42.2** million
- Current schedule has Retirement System fully funded by 2024
- Optional payment to Retirement System – since FY08, MWRA has made optional payments of \$17.0 million to the Retirement System.
- MWRA's Other Post Employment Benefits balance sheet liability at the end of FY12 was **\$75.4** million.



FY14 Proposed CEB – Debt Service Expenses

Debt Service \$ in Millions	FY13 Budget	FY14 Proposed Budget	\$ Change	% Change
Senior	\$ 193.4	\$ 202.8	\$ 9.4	4.9%
Subordinate	93.3	102.7	9.4	10.1%
SRF	73.8	76.0	2.2	2.9%
Commercial Paper	3.6	4.1	0.5	14.7%
Capital Lease	3.2	3.2	0.0	0.5%
Current Revenue	8.2	9.2	1.0	12.2%
Total Debt Service (before offsets)	\$ 375.6	\$ 398.0	\$ 22.4	6.0%
Bond Redemption	-	-	-	-
Debt Service Assistance	\$ (0.4)	-	\$ 0.4	-100.0%
TOTAL	\$ 375.3	\$ 398.0	\$ 22.8	6.1%



FY13 Defeasance Effect

Massachusetts Water Resources Authority \$15 million Defeasance

	Par	Defeasance Cost	Debt Service Savings		
			2014	2015	2016
Total Senior Candidates	\$ 4,175,000	\$ 7,546,950	\$ 284,600	\$ 6,154,600	\$ 1,107,750
Total Subordinated Candidates	\$ 7,030,000	\$ 7,030,000	\$ 228,475	\$ 228,475	\$ 7,258,475
Total Defeasance Candidates	\$ 11,205,000	\$ 14,576,950	\$ 513,075	\$ 6,383,075	\$ 8,366,225



FY14 Proposed CEB – Revenue

Revenue	FY13 Budget	FY14 Proposed Budget	\$ Change	% Change
Rate Revenue	\$ 607.5	\$ 631.2	\$ 23.7	3.9%
Other User Charges	7.8	8.2	0.4	5.6%
Other Revenue	6.1	5.9	(0.3)	-4.3%
Rate Stabilization	-	3.5	3.5	
Investment Income	14.5	11.8	(2.7)	-18.5%
TOTAL	\$ 635.9	\$ 660.6	\$ 24.7	3.9%



Longer Range View

Final FY2013 Budget

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total Rate Revenue (\$ in Mil)	\$ 607,512	\$ 634,426	\$ 681,237	\$ 725,991	\$ 790,699	\$ 803,707	\$ 836,790	\$ 885,216	\$ 923,702	\$ 967,157	\$ 932,391
Rate Revenue Change (\$ in Mil)	\$ 17,812	\$ 26,914	\$ 46,811	\$ 44,754	\$ 64,707	\$ 13,008	\$ 33,084	\$ 48,426	\$ 38,486	\$ 43,456	\$ (34,767)
4.4% Rate Revenue Change	3.02%	4.4%	7.4%	6.6%	8.9%	1.6%	4.1%	5.8%	4.3%	4.7%	-3.6%
Use of Rate Stabilization & Bond Redemption	\$ -	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ 12,000	\$ 866	\$ -	\$ -
Rate Stabilization & Bond Redemption Balance	\$ 72,866	\$ 60,866	\$ 48,866	\$ 36,866	\$ 24,866	\$ 24,866	\$ 12,866	\$ 866	\$ 0	\$ 0	\$ 0

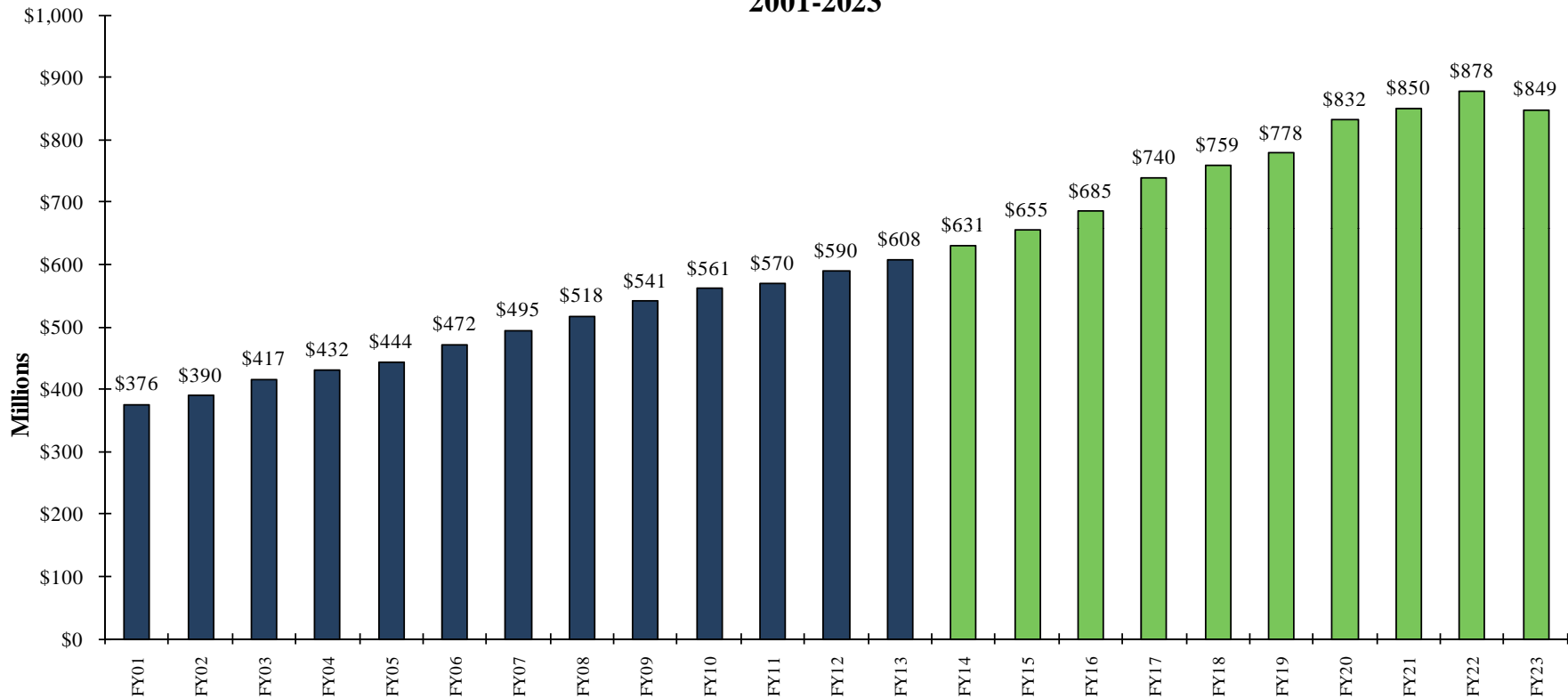
Proposed FY14 Budget

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total Rate Revenue (\$ in Mil)	\$ 607,512	\$ 631,233	\$ 654,623	\$ 685,381	\$ 739,623	\$ 758,675	\$ 778,235	\$ 832,077	\$ 850,460	\$ 878,470	\$ 848,678
Rate Revenue Change (\$ in Mil)	\$ 17,812	\$ 23,721	\$ 23,390	\$ 30,758	\$ 54,243	\$ 19,051	\$ 19,561	\$ 53,842	\$ 18,383	\$ 28,010	\$ (29,792)
3.9% Rate Revenue Change	3.02%	3.9%	3.7%	4.7%	7.9%	2.6%	2.6%	6.9%	2.2%	3.3%	-3.4%
Use of Rate Stabilization & Bond Redemption	\$ -	\$ 3,500	\$ 12,000	\$ 12,000	\$ 12,000	\$ 4,740	\$ 4,626	\$ 12,000	\$ -	\$ 12,000	\$ -
Rate Stabilization & Bond Redemption Balance	\$ 72,866	\$ 69,366	\$ 57,366	\$ 45,366	\$ 33,366	\$ 28,626	\$ 24,000	\$ 12,000	\$ 12,000	\$ -	\$ -



FY01-23 Rate Revenue Requirement

**MWRA Rate Revenue Requirement
2001-2023**

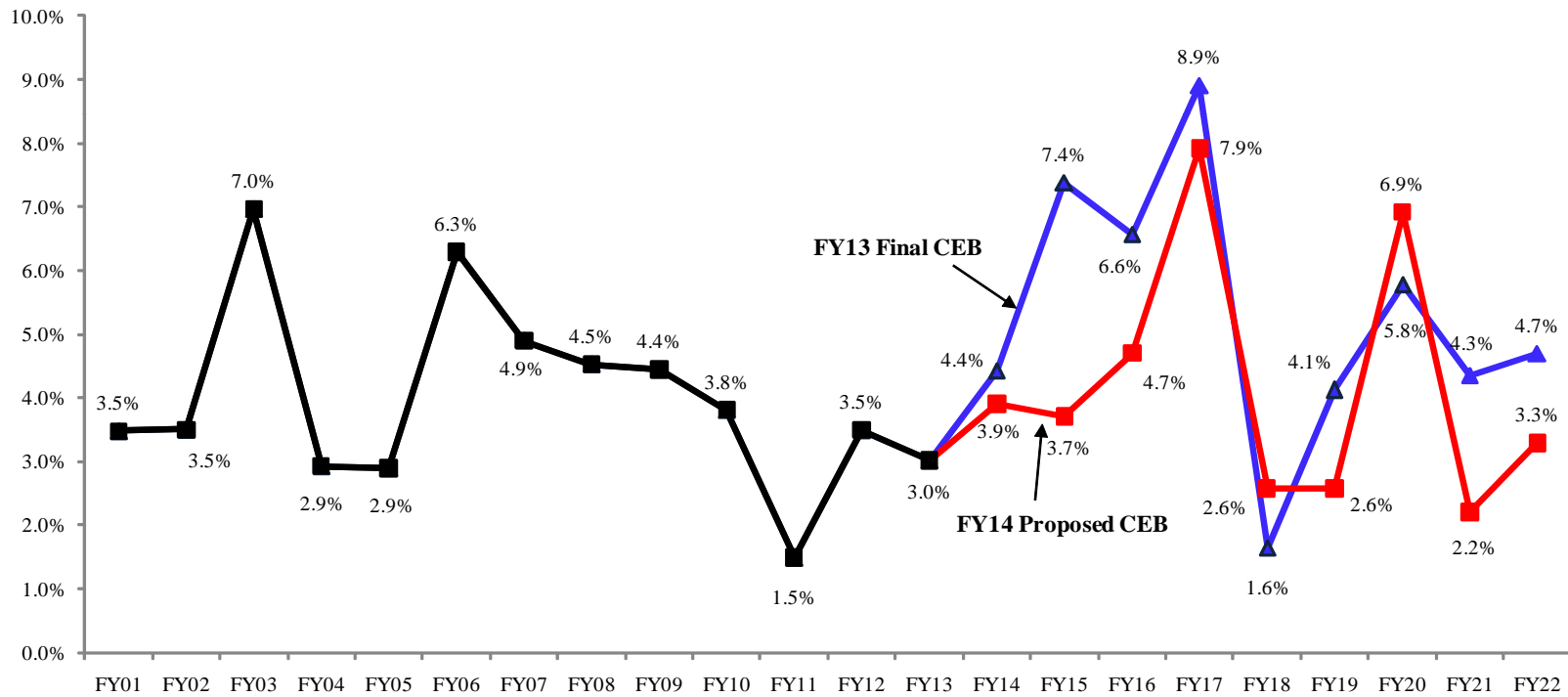


From FY14-FY23, the average yearly Rate Revenue Requirement increases by \$24.1M



Longer Range View (continued)

Rate Revenue Requirement Changes Final FY13 CEB vs. Proposed FY14 CEB





FY06-14 Assessment Increases vs. Household Wholesale Rate Increases

Historical Household Wholesale rate increase based on annual average water use of 61,000 gallons		
Fiscal Year	MWRA Assessment Change	Household \$ Increase
FY06	4.2%	\$19
FY07	4.9%	\$20
FY08	4.5%	\$22
FY09	4.5%	\$16
FY10	3.8%	\$10
FY11	1.5%	\$5
FY12	3.5%	\$12
FY13	3.0%	\$14
PFY14	3.9%	\$15
Average FY06-14	3.8%	\$15



Challenges

- Short-term rate market conditions;
- Regulatory requirements;
- OPEB and Pension obligations;
- Limited restructuring opportunities in the near term;
- Uncertainty of Health Insurance premiums;



Challenges (continued)

- Limited system expansion opportunities;
- Continued prioritization of CIP projects;
- Inflationary pressures as economy improves;
- Availability of Debt Service Assistance; and
- Federal budget cuts will lower SRF funding.



FY13 Current Expense Budget Closing

QUESTIONS?