



# Advisory Board Comments & Recommendations On MWRA PFY24 Budget



# Capital Improvement Program



# Capital Improvement Program

FY24 Proposed		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	\$327.3	\$318.1	\$299.7	\$321.7	\$300.1	\$1,566.8
	Metropolitan Tunnel	\$15.6	\$15.3	\$19.2	\$18.4	\$73.0	\$141.3
	I/I Program	(41.7)	(36.7)	(26.5)	(27.3)	(34.1)	(166.3)
	Water Loan Program	(15.2)	(11.2)	(5.0)	(2.6)	8.6	(25.4)
	<b>MWRA Spending</b>	<b>\$286.0</b>	<b>\$285.4</b>	<b>\$287.3</b>	<b>\$310.2</b>	<b>\$347.5</b>	<b>\$1,516.5</b>
	Contingency	18.2	18.6	19.5	21.3	27.9	105.6
	Inflation on Unawarded Construction	3.3	7.9	12.8	21.0	32.0	76.9
	Chicopee Valley Aqueduct Projects	(0.3)	(0.3)	0.0	0.0	0.0	(0.6)
	<b>Projected Spending before Adjustment</b>	<b>\$307.2</b>	<b>\$311.7</b>	<b>\$319.5</b>	<b>\$352.5</b>	<b>\$407.5</b>	<b>\$1,698.4</b>
Spend Rate Adjustment (25%)*	(76.8)	(77.9)	(79.9)	(88.1)	(101.9)	(424.6)	
<b>FY24 Proposed FY24-28 Spending</b>	<b>\$230.4</b>	<b>\$233.8</b>	<b>\$239.7</b>	<b>\$264.3</b>	<b>\$305.6</b>	<b>\$1,273.8</b>	

\*Based on historical underspending FY04-FY22 excluding community loan programs



# Capital Improvement Program

## **PFY24 Comments & Recommendations**

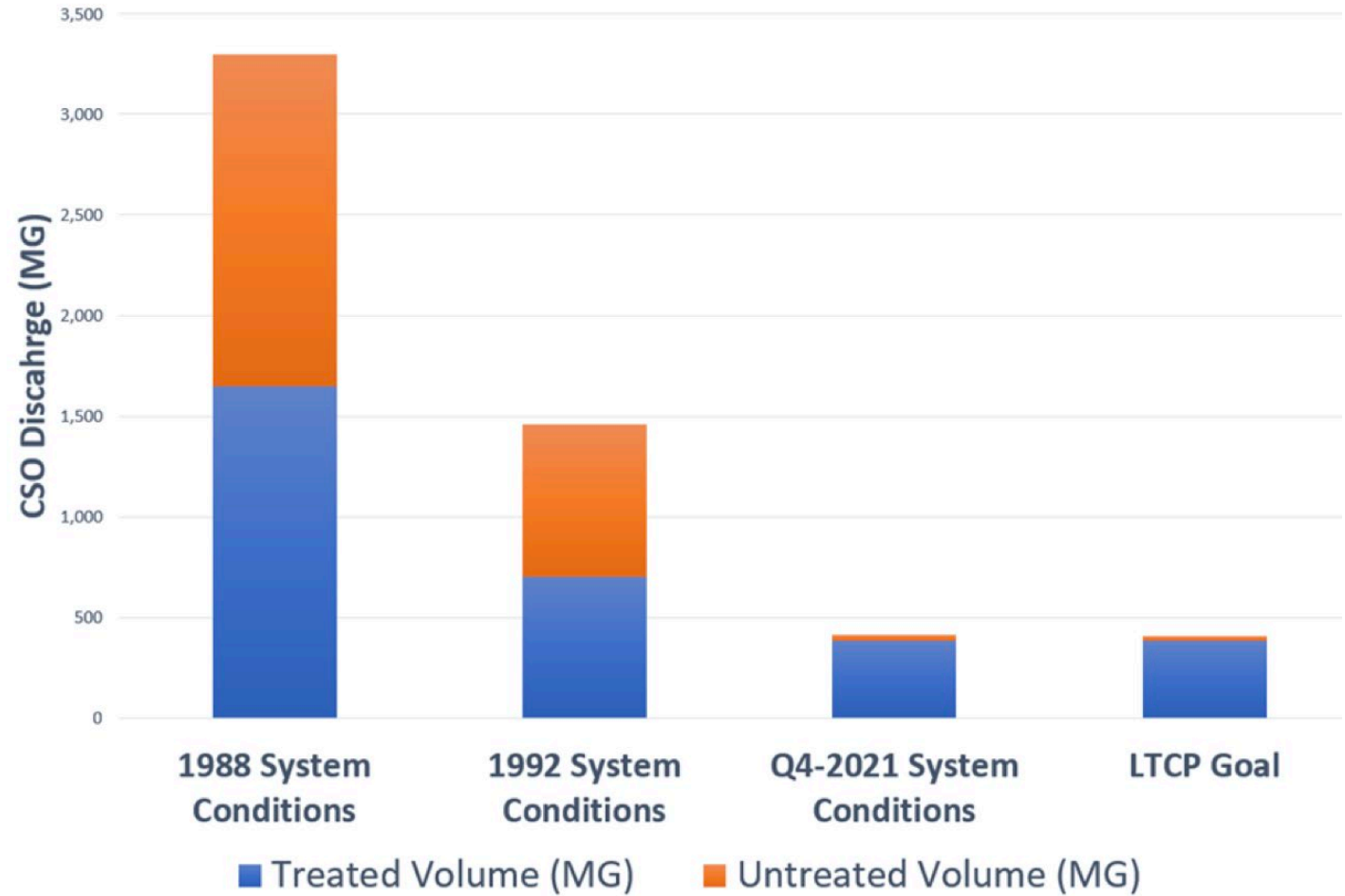
*The Advisory Board remains committed to reducing the levels of CIP underspending and will work with the Authority to analyze, and respond to, trends following the implementation of the 25% Spend Rate Adjustment.*



# CSOs



## CSO Discharge Reduction





# CSOs

## PFY24 Comments & Recommendations

*The Advisory Board, remains guided by its long-standing principle of "environmentally sound and ratepayer equitable," and cannot endorse a plan that can only produce environmental benefits through placing significant financial burdens on ratepayers.*



# Policy



# NPDES



- **Co-Permittees**

- New climate change planning requirements
- Impacts on MWRA and communities
- Long-term capital project obligations
- Accelerated planning efforts
- Ambiguities in permit terms
- Continuous planning cycle burden





# NPDES

*The Advisory Board remains steadfast in its commitment to minimize the adverse impacts of any language designating MWRA wastewater communities as co-permittees. It aims to prevent any modifications or irreparable harm to the valuable and delicate relationship between the MWRA and its member communities. The Advisory Board strongly encourages the MWRA to actively participate in all necessary efforts to safeguard this shared objective.*



# System Expansion



## Advocacy & Accountability

Representing Over 3 Million People in Massachusetts Communities Since 1985

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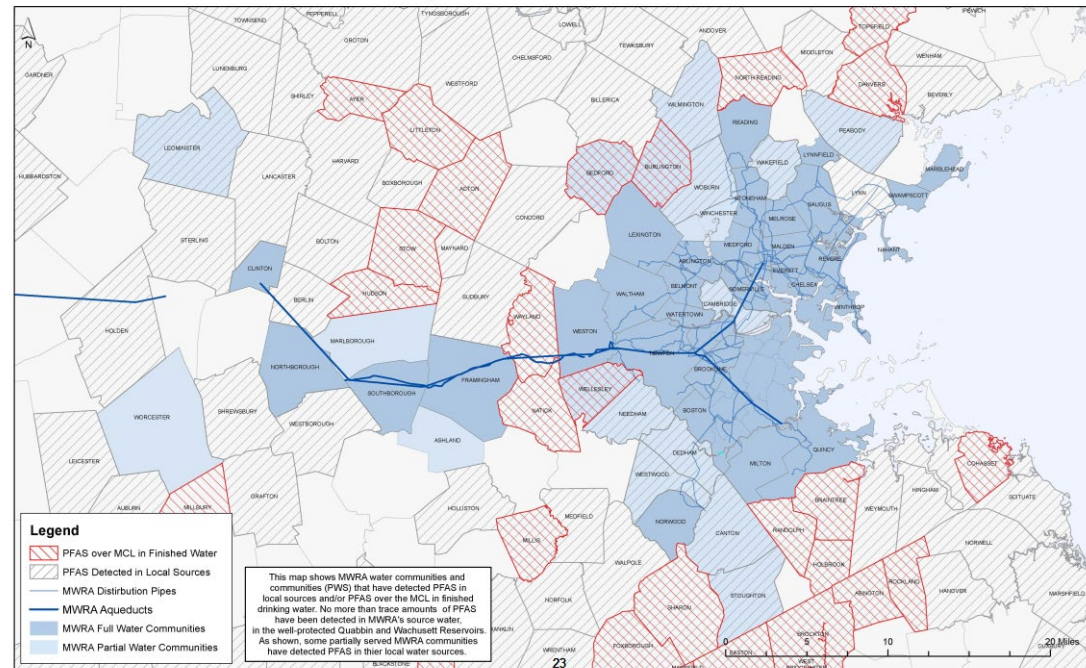
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MWRA Water System and Communities with PFAS Detections





# System Expansion

*The Advisory Board recommends that the MWRA work collaboratively with the Advisory Board to identify additional funding from each of the stakeholders in the system expansion process – the federal government, the Commonwealth of Massachusetts, and the communities seeking to join the MWRA waterworks system.*



# Current Expense Budget



# Targeted Advisory Board RRR

	FY23 Approved	FY24 Proposed	
<b>Rate Revenue</b>	<b>814,648,000</b>	<b>842,545,600</b>	<b>3.42%</b>

Year	Proposed	Approved
FY19	3.91%	3.07%
FY20	3.74%	3.07%
FY21	3.62%	1.00%
FY22	3.59%	2.94%
FY23	3.42%	2.85%
FY24	3.42%	<b>2.42%</b>



# Dunphy Sheet

**2.42% Combined**

**3.84% Water**

**1.64% Sewer**

IMPACTS ON RATE REVENUE REQUIREMENT		Amount
Final FY2023 RRR	\$	814,648,000
Proposed FY2024 RRR	\$	842,545,600
<b>MWRA Proposed FY24 RRR Increase</b>		<b>3.42%</b>
AB Recommendations	\$	(8,188,819)
FY2024 RRR, less changes	\$	834,356,781
<b>Advisory Board Recommended FY24 RRR Increase</b>		<b>2.42%</b>

IMPACTS ON EXPENDITURES	Amount	Description
<b>MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY24 CEB</b>		
Water	\$ (4,100,000)	
Sewer	\$ (2,050,000)	
Debt Service Assistance	\$ (1,187,297)	
<b>Subtotal AB Recommendations</b>	<b>\$ (7,337,297)</b>	
<b>ANTICIPATED ADJUSTMENTS TO PROPOSED FY24 CEB</b>		
<b>Direct &amp; Indirect Cost Changes</b>		
Water Spring Revisits	\$ 3,613,906	
Sewer Spring Revisits	\$ (5,040,340)	
<b>Subtotal of Changes to Operating Costs</b>	<b>\$ (1,426,434)</b>	
<b>OPERATING RESERVE REQUIREMENT ADJUSTMENT</b>		
Operating Reserve Requirement	\$ 574,912	<i>Updated based on applicable adjustments; applies only to direct and indirect costs (revenue not included)</i>
<b>NET CHANGES TO PROPOSED FY24 CEB</b>	<b>\$ (8,188,819)</b>	



# Draft Final Budget Adjustments

Budget	Water	Sewer	Combined
Original PFY24	3.90%	3.10%	3.42%
Draft Final FY24	5.34%	2.30%	3.38%
Advisory Board C&R	<b>3.84%</b>	<b>1.64%</b>	<b>2.42%</b>



# Spring Revisits

Water	
Wages & Salaries	\$ 1,964,098
Senior Debt	\$ 1,433,709
Maintenance	\$ 1,373,324
Watershed	\$ 1,172,733
Subordinate Debt	\$ 792,864
Fringe Benefits	\$ 167,663
Chemicals	\$ 146,410
Overtime	\$ 52,701
Professional Services	\$ 21,644
Other Services	\$ 9,817
Other Materials	\$ (30,152)
Optional Debt Prepayment	\$ (39,758)
Insurance	\$ (68,242)
Utilities	\$ (1,221,539)
SRF	\$ (2,161,366)
<b>Subtotal of Changes</b>	<b>\$ 3,613,906</b>

Sewer	
Wages & Salaries	\$ 3,018,719
Maintenance	\$ 679,845
Other Services	\$ 583,852
Subordinate Debt	\$ 374,616
Fringe Benefits	\$ 289,874
Professional Services	\$ 236,005
Overtime	\$ 99,304
HEEC	\$ 55,209
Other Materials	\$ (112,141)
Insurance	\$ (131,758)
Chemicals	\$ (217,693)
Utilities	\$ (812,262)
Optional Debt Prepayment	\$ (1,960,242)
SRF	\$ (2,161,367)
Senior Debt	\$ (4,982,301)
<b>Subtotal of Changes</b>	<b>\$ (5,040,340)</b>





# Spring Revisits

## **PFY24 Comments & Recommendations**

*Anticipated Spring Revisit item totals of:  
Water: \$3,613,906 Sewer: \$-5,040,340  
(totals exclude Debt Service Assistance and  
adjustments to Operating Reserve)*



# Debt Service Assistance

- \$1,187,297 in Debt Service Assistance
  - \$115,168 Water**
  - \$1,072,129 Sewer**





# Debt Service Assistance

## **PFY24 Comments & Recommendations**

*Continuation of the Advisory Board's "Pay it Forward" Principle, applying FY23 Debt Service Assistance towards FY24 Budget.*

*Water: \$115,168      Sewer: \$1,072,129*



# Personnel

Proposed Fiscal Year 2024				
Personnel Expenses Summary				
(\$s)				
Line Item/Description	Final FY23	Proposed FY24	Δ (\$s)	Δ (%)
<i>Regular Pay</i>	\$117,057,267	\$121,095,606	\$4,038,339	3.4%
Regular wages and salaries for full- and part-time employees.				
<i>Other Pay</i>	1,923,422	1,999,823	76,401	4.0%
Includes shift differential, holiday pay, temporary employees, interns/co-ops, and stand by pay.				
<b>Wages and Salaries Subtotal</b>	<b>118,980,689</b>	<b>123,095,429</b>	<b>4,114,740</b>	<b>3.5%</b>
<b>Fringe Benefits</b>	<b>23,961,641</b>	<b>25,365,846</b>	<b>1,404,205</b>	<b>5.9%</b>
Includes health insurance, dental insurance, Medicare, and all other fringe benefits.				
<b>Overtime</b>	<b>5,337,896</b>	<b>5,575,588</b>	<b>237,692</b>	<b>4.5%</b>
For planned maintenance, emergency, and coverage.				
<b>Workers' Compensation</b>	<b>2,519,751</b>	<b>2,144,395</b>	<b>-375,356</b>	<b>-14.9%</b>
Includes compensation payments, medical payments, and other related costs.				
<b>TOTAL PERSONNEL EXPENSES</b>	<b>\$150,799,977</b>	<b>\$156,181,258</b>	<b>\$5,381,281</b>	<b>3.6%</b>



# Personnel

- 111 fewer FTE's through April 2023 (1,056 versus 1,167)
- \$10.1 million wages & salaries underspending (April 2023)
- Advisory Board staffing study recommendation from FY23
- PFY24 funded with vacancy rate of \$2.7 million



# Personnel

## **PFY24 Comments & Recommendations**

*Adjustment of proposed vacancy rate:  
Water: \$750,000      Sewer: \$500,000*



# Watershed

## Watershed Reimbursement

Categories	FY23 Budget	FY24 Proposed Draft	Δ (\$s)	Δ (%)
Operating Expenses	\$19,987,471	\$20,432,594	\$445,123	2.2%
Debt Service	0	0	\$0	-
Payment in Lieu of Taxes (PILOT)	8,903,291	8,900,000	(3,291)	0.0%
<b>SUBTOTAL (Expenses)</b>	<b>\$28,890,762</b>	<b>\$29,332,594</b>	<b>\$441,832</b>	<b>1.5%</b>
Revenue	1,210,000	1,020,000	-190,000	-15.7%
<b>TOTAL (Revenue Deducted)</b>	<b>\$27,680,762</b>	<b>\$28,312,594</b>	<b>\$631,832</b>	<b>2.3%</b>
<b><u>Proposed Watershed Capital Budget</u></b>				
Capital Projects	1,020,000	1,010,000	(10,000)	-1.0%
<b>TOTAL</b>	<b>\$28,700,762</b>	<b>\$29,322,594</b>	<b>\$621,832</b>	<b>2.2%</b>



# Watershed

## **PFY24 Comments & Recommendations**

*Therefore, the Advisory Board recommends reducing the Watershed Reimbursement line item by \$500,000 to account for the assumption of the carryover of surplus from FY23 to FY24.*





# Watershed

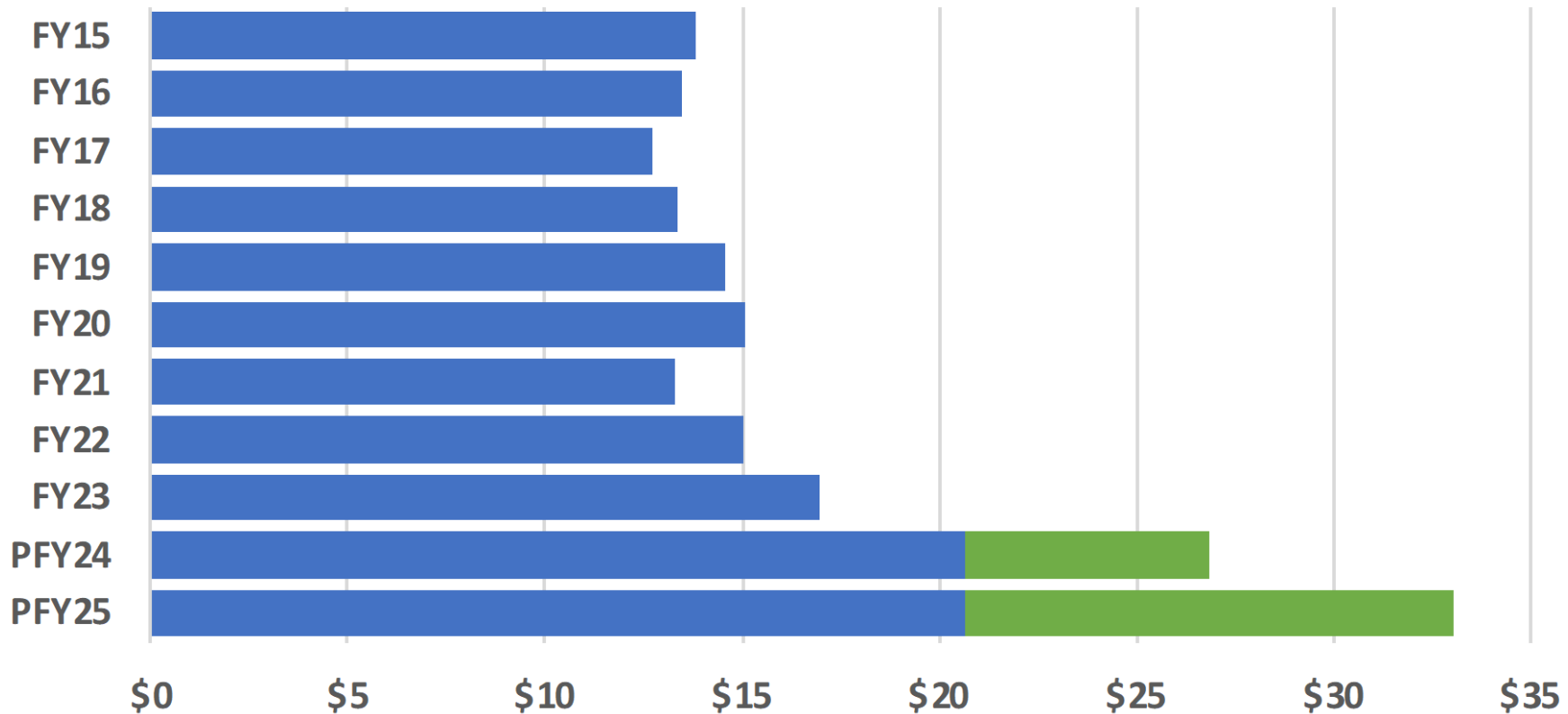
## **PFY24 Comments & Recommendations**

*The Advisory Board recommends that the MWRA take any and all actions needed to ensure that the Division of Water Supply Protection's active forestry management program is restarted and is exempted from the statewide forestry moratorium.*



# Sludge Pelletization

## Sludge Pelletization FY22-PFY25





# Sludge Pelletization

## **PFY24 Comments & Recommendations**

*With no new bans on the application in biosolids in effect yet, the Advisory Board recommends a reduction of \$1,550,000 to the Sludge Pelletization line item.*



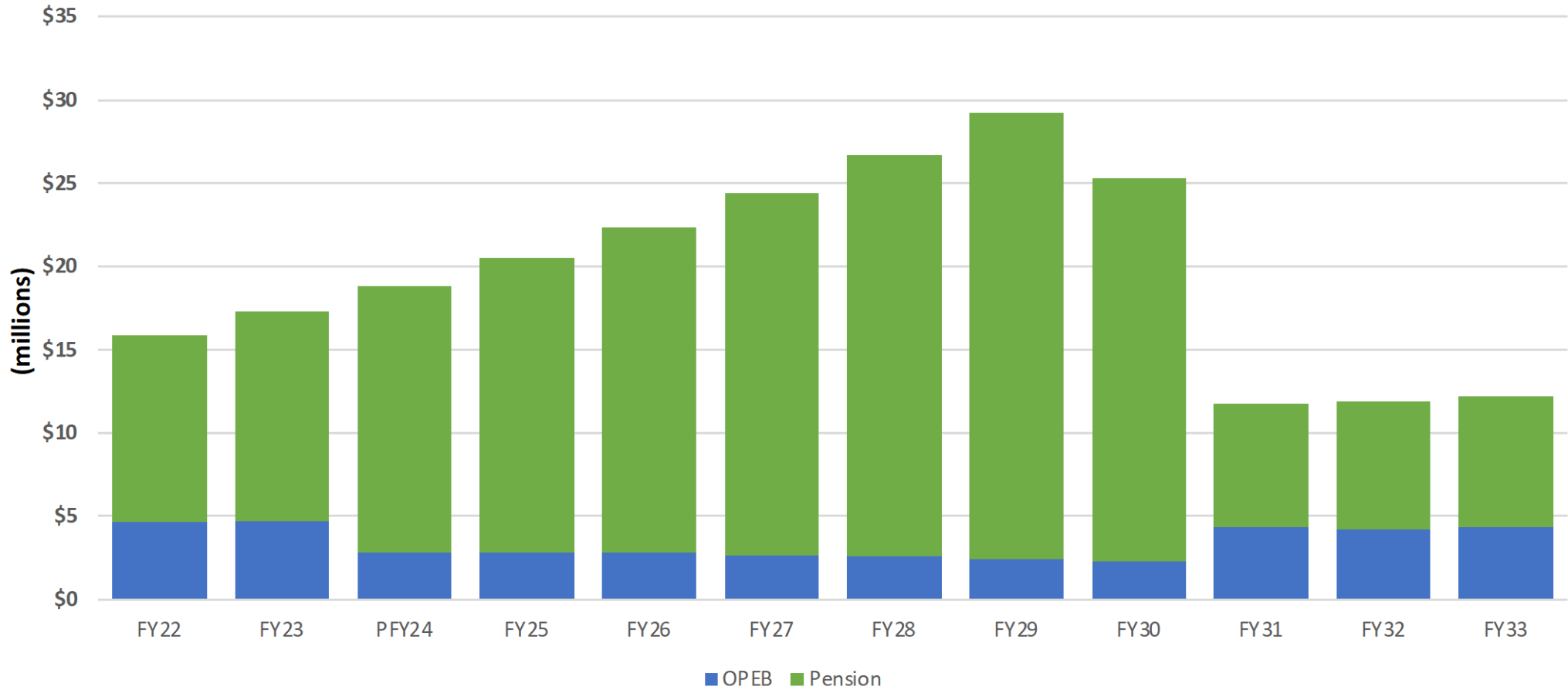
# Pension

Proposed Fiscal Year 2024				
Indirect Expenses Summary				
(\$s)				
Line Item/Description	Final FY23	Proposed FY24	Δ (\$s)	Δ (%)
<b>Pension</b>	\$12,555,203	\$15,972,805	\$3,417,602	27.2%
Scheduled updated contribution to retirement fund.				
<b>Post-Employment Benefits/Additional Pension Deposit</b>	4,754,061	2,849,365	-1,904,696	-40.1%
All other benefits for retirees (e.g. health insurance).				
<b>Insurance</b>	3,916,002	4,265,380	349,378	8.9%
Insurance and payments/claims.				
<b>Mitigation Payments</b>	1,735,694	1,779,086	43,392	2.5%
Mitigation payments to Quincy and Winthrop.				
<b>HEEC Payments</b>	6,225,566	7,445,441	1,219,875	19.6%
Cross harbor cable to Deer Island (includes both debt service and O&M components).				
<b>Watershed Reimbursements</b>	28,890,762	29,332,594	441,832	1.5%
Supports the operations and related costs of the state's Department of Conservation and Recreation, Office of Watershed Management.				
<b>Additions to Reserves</b>	2,418,453	6,884,074	4,465,621	184.6%
1/6th of all planned Operating Expenses.				
<b>TOTAL INDIRECT EXPENSES</b>	<b>\$60,495,741</b>	<b>\$68,528,745</b>	<b>\$8,033,004</b>	<b>13.3%</b>



# Pension

## Pension and OPEB Contributions FY22-FY33





# Pension

January 1, 2022 unfunded  
actuarial accrued liability: **\$82.0** million

January 1, 2023 unfunded  
actuarial accrued liability:  
*(before assumption and/or plan changes)* **\$88.4** million



# Pension

## Funding Schedule Adopted May 10, 2023

Appropriations increase 14.20% per year, fully funded by June 30, 2030

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Liability	(4) Actuarially Determined Contribution (ADC): (2) + (3)	(5) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in ADC Over Prior Year
2024	\$4,226,368	\$9,841,737	\$14,068,105	\$94,177,033	--
2025	4,375,542	11,690,234	16,065,776	90,154,431	14.20%
2026	4,529,898	13,817,218	18,347,116	83,878,227	14.20%
2027	4,689,613	16,262,793	20,952,406	74,895,219	14.20%
2028	4,854,870	19,072,778	23,927,648	62,678,063	14.20%
2029	5,025,861	22,299,513	27,325,374	46,614,050	14.20%
2030	5,202,782	25,992,240	31,195,022	25,992,240	14.16%
2031	5,385,834	0	5,385,834	0	-82.73%



# Pension



FY 2023  
Comments &  
Recommendations

on the MWRA's Proposed  
Capital Improvement Program & O

MWRA  
Advisory Board

JUNE 2022

**Indirect Costs**

Line Item/Description	Proposed Fiscal Year 2023 Indirect Expenses Summary			
	Fiscal 2022	Proposed FY23	\$ Diff	% Diff
<b>Pension</b>	\$13,405,000	\$14,056,450	\$1,651,450	14.5%
Post-Employment Benefits/Additional Pension Deposit	4,672,824	4,754,361	80,437	1.7%
Healthcare	3,393,050	3,336,076	(56,974)	-1.7%
Mitigation Payments	3,687,306	3,730,000	42,694	1.2%
NEC Payments	6,991,963	6,221,514	(770,449)	-11.0%
Watered Off Rembursements	26,711,992	18,923,109	(7,788,883)	-29.2%
Other	3,426,651	3,906,300	479,649	14.0%
<b>TOTAL INDIRECT EXPENSES</b>	<b>\$56,651,674</b>	<b>\$58,637,124</b>	<b>\$1,985,450</b>	<b>3.5%</b>

**Pension**

The MWRA is in the Vanguard with regard to its approach on fully funding its pension obligation. The retirement fund CY 2020 actuarial study (dated January 2021) showed its funding level at 88.23%, and it has one of the more aggressive funding schedules in the Commonwealth, with full funding scheduled to be achieved by 2030, rather than the 20-40 deadline adopted by many public pension systems.

However, being ahead of the pack sometimes comes with unforeseen consequences. For one, because the pension deadline for full funding is only seven years away means the entire remaining liability needs to be addressed within that timeframe, regardless of the performance of investments within the retirement fund. The fact that current state law makes no mention of anything other than a date certain for full funding means that each subsequent year, the MWRA retirement fund has one year less to meet its funding deadline regardless of investment performance. For example, imagine if in 2020 the retirement fund broke even and did not meet its estimated rate of return on its investments. That would mean that the MWRA must make a contribution of not only the amount originally planned for the 2020 contribution, but also the amount of investment income the retirement fund failed to achieve the prior year. All within one year as demonstrated in this chart:

**FY23 COMMENTS & RECOMMENDATIONS**

1. The MWRA should propose to the Retirement Board a one-time use of water rate stabilization funds to the pension liability to achieve no less than 90% funding on the overall pension unfunded liability, keeping this deposit in either cash or a stable capital preservation vehicle to isolate it from potential negative market impacts. This one-time deposit will be contingent upon:
2. A vote of the Retirement Board to extend the date for full funding of the retirement fund to 2033, and to delegate authority to the Executive Director of the Retirement Board to request that PERC approve a one-year extension in future if certain criteria are met to simulate a rolling 10-year funding schedule up through 2040. [1]
3. MWRA should work with the Advisory Board and other retirement system stakeholders to secure legislation to amend Chapter 32 to authorize the state actuary to develop a plan that addresses well-funded, short- to full amortization systems like the MWRA, with the goal of shifting to a rolling date for full funding if certain criteria are met (e.g. the system must be 90% funded).

[1] Note: the criteria still need to be determined. Possibilities include not meeting the MWRA's anticipated actuarial rate of return.

**Pension**

recent years' actuarial valuations including the ySegal. The red line models the example discussed in the report. The MWRA experiences an investment income return of 0% in the CY 2022 preliminary actuarial valuation with the amount of investment income on the MWRA's AVA is used to contribute according to the preliminary 2022 20 to \$55.5 million—more than double the amount of investment income in the prior year. It is important to note that this calculation is based on 2021 data and that after additional contributions are made and the amount could actually be far greater. However, this

Proposed FY23 CEB was based upon, with pension liability of \$22 million in 2023—more than double the amount of investment income in the prior year. As projected in the proposed FY23 CEB, these increasing levels of pension expense are a significant concern for the pension and the projected amount of spending to be addressed. The Advisory Board would also like to reframe the recommendation to address the short-term, the mid-term, and the long-term, recommending a "Pillars of Pension" plan to address

**'Pension' on Plan**

could use the updated numbers to recalculate the 2023 CEB and accompanying planning projections. The Advisory Board of Directors, MWRA CEB to the pension line item and continue to do so

sewer utility FY23 CEB into the pension line item and continue to do so.



FY 2024  
Comments &  
Recommendations

on the MWRA's Proposed  
Capital Improvement Program & O

MWRA  
Advisory Board

MAY 2023

**Indirect Expenses**

Line Item/Description	Proposed Fiscal Year 2023 Indirect Expenses Summary			
	Fiscal 2022	Proposed FY23	\$ Diff	% Diff
<b>Pension</b>	\$13,405,000	\$14,056,450	\$1,651,450	14.5%
Post-Employment Benefits/Additional Pension Deposit	4,672,824	4,754,361	80,437	1.7%
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Other	3,426,651	3,906,300	479,649	14.0%
<b>TOTAL INDIRECT EXPENSES</b>	<b>\$56,651,674</b>	<b>\$58,637,124</b>	<b>\$1,985,450</b>	<b>3.5%</b>

**Pension**

The MWRA retirement system, as with so many other MWRA components stands out as an outlier in comparisons to its counterparts across the state. The care and maintenance of the system should ideally stand out as well. Last year, the Advisory Board highlighted the strong standing of the MWRA Retirement System, being in the top 5 public retirement systems in the Commonwealth with a funded ratio of 89.05%. We also emphasized the potential burden at the hands of the ratepayers to fund the remaining 11% of the system by 2030. Following the 2020 valuation, the MWRA Retirement System again ranks high, with a funded ratio of 88.36%, but with an even bigger burden of unfunded liability to pay off in a smaller amount of time. As of the 2023 valuation, the system's unfunded liability grew \$6 million.

The pension system is at the "breakthrough" of the marathon that is full funding. It is so close to the finish line, but the final stretch is burdensome and painful. The Advisory Board remains committed towards bringing as much relief as possible to ratepayers on the way to full funding. In the FY23 Comments and Recommendations, the Advisory Board proposed a combination of isolated relief at this relief:

1. Recalculation of pension costs with projected favorable actuarial numbers
2. Shift the OPEB contributions in the sewer utility to the pension line item until "Virtual full funding" level is achieved.
3. Shift of optional debt prepayments in the sewer utility into the pension line item until full funding (not virtual) is achieved.
4. One-time use of water rate stabilization funds to the pension calculated to achieve no less than 90% funding on the overall pension unfunded liability, keeping it as a reserve to isolate it from potential negative market impacts.
5. A vote of the Retirement Board to extend the date for full funding of the retirement fund to 2033, and request that PERC approve a one-year extension in future if certain criteria are met to simulate a rolling 10-year funding schedule up through 2040.
6. That MWRA work with the Advisory Board, and other retirement system stakeholders to secure legislation to amend Chapter 32 to authorize the state actuary to develop a goal of shifting to a rolling date for full funding if certain criteria are met to simulate a rolling 10-year funding schedule up through 2040.

The pillars of pension were in motion for the Authority to engage with the retirement board and secure a steady stride to the funding finish line. As of May 10, 2023, however, the Retirement Board voted to move forward without exploring the possibilities of extending out the payoff date by multiple years. The nearest pension funding schedule includes an actuarially determined contribution (ADC) from the MWRA increasing at over 16% a year. This is up from last year's funding schedule with an ADC increasing closer to 9% a year. With booming issues for the markets like the US debt ceiling potentially being surpassed, ongoing inflation, and the continuation of conflict in Europe, prospects for the current ADC remaining level in future funding schedules are unfavorable.

**Pension Actuarially Determined Contribution (ADC)**

Year	2023 Valuation		2024 Valuation	
	ADC	ADC% Increase	ADC	ADC% Increase
2023	15,798,312	17.1%	16,065,776	16.9%
2024	7,469,761	17.0%	18,347,141	14.7%
2025	19,791,157	12.0%	20,921,400	14.2%
2026	22,176,960	14.0%	23,927,648	14.2%
2027	24,848,128	12.1%	27,225,274	14.2%
2028	23,188,118	14.8%	31,291,022	14.2%

**FY24 COMMENTS & RECOMMENDATIONS**

1. MWRA to explore extending out the pension funding schedule. While the pension full funding date for 2030, public retirement systems in Massachusetts are generally mandated for payoff by 2040. Exploring the use of this remaining time could be beneficial for the ratepayers. Extension options beyond one year, or the simulation of a rolling/moving full funding date were not contemplated by the Retirement Board. The unfortunate limit discussed on the proposal comes of such moves.
2. The Advisory Board still encourages these discussions to take place among the Retirement Board and does not believe the shift of OPEB funds should cease before full funding unless an extension of the retirement funding schedule is implemented, that does not dramatically impact the Rate Revenue Requirement.
3. **Recommendation:** The Authority should not move away from the Advisory Board's previous recommendation on shifting all OPEB contributions to the pension fund without extending out the current pension funding schedule provided it doesn't dramatically impact the CEB Rate Revenue Requirement.

**Indirect Expenses**

The Retirement Board to implement solutions that responsibly get the funding a sustainable and predictable rate revenue requirement for the staff have targeted areas of relief that can be put into place during the

**Employment Benefits**

retirement systems to begin accounting for and reporting the balance of their OPEB liability on their balance sheet, the MWRA began to explore ways to address the OPEB liability. Initially, MWRA staff made the argument that both liabilities were "two sides of the same coin" and that the pension liability that needed to be addressed, while for the pension system, but not one for the OPEB liability, the pension liability until "Virtual full funding" was achieved. Virtual full ratio to be within the 95% - 100% range. MWRA met the goal and began 100%.

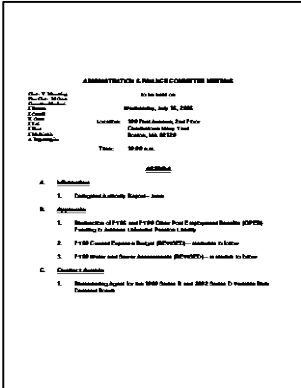
on the "virtual full funding range." Beginning with the proposed 2023 contributions to more aggressively focus on the pension liability once variance of addressing the OPEB liability, however, because the 90% threshold that signifies the "virtual full funding" range, we are ending strategy. To help aggressively target the pension's unfunded liability, the MWRA shifted all water and sewer utility funds currently and continue to do so until the previously agreed upon "Virtual full funding" level is achieved.

**With the "two sides of the same coin" approach of Directors, and in line with previous MWRA policies, the pension line item and sewer OPEB should shift all water and sewer OPEB to the pension line item and continue to do so until 95% - 100%.**





# Pension



**July 2008: MWRA adopts  
“two sides of the same coin”**

*Transfer of \$13,691,514 (from FY08 and FY09)  
OPEB to Pension*



# Pension

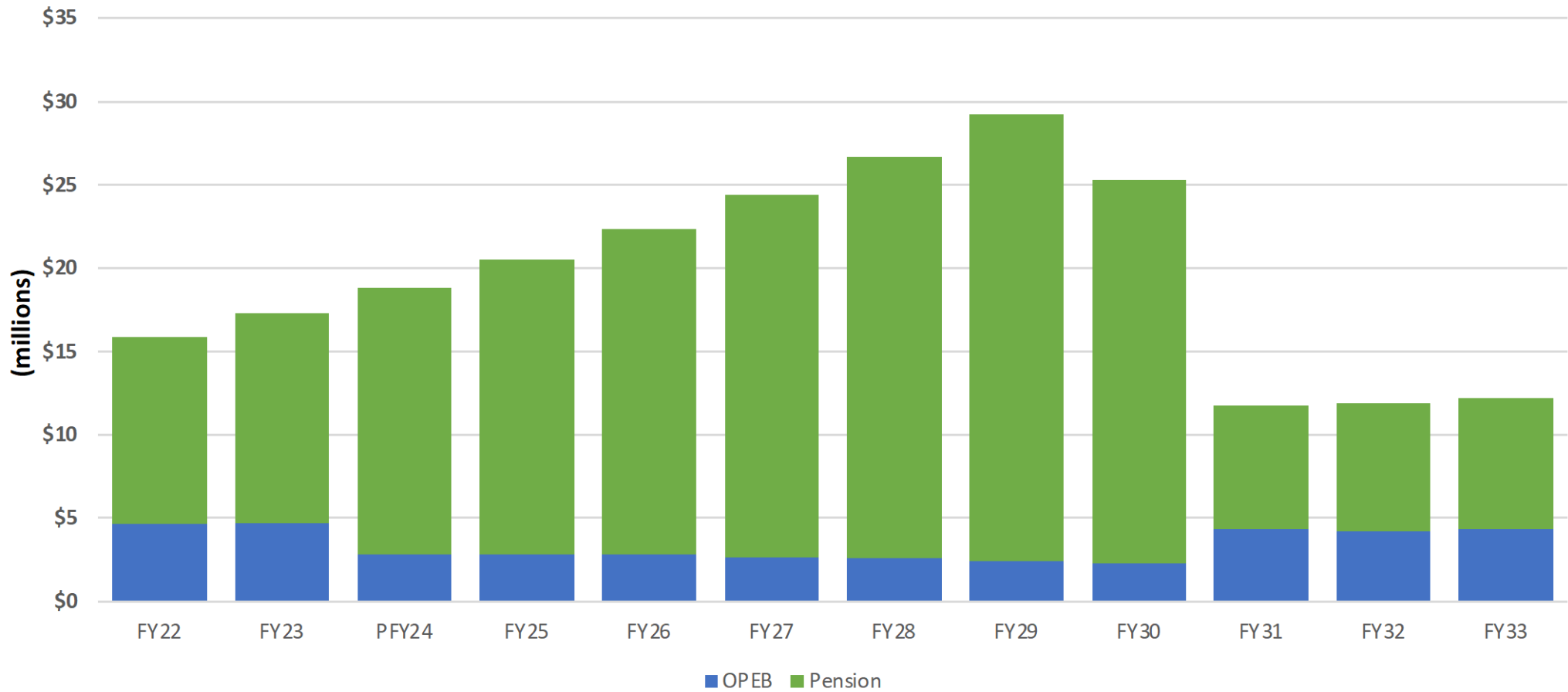
## **PFY23 Comments & Recommendations**

*Consistent with the "two sides of the same coin" approach endorsed by the MWRA Board of Directors, and in line with previous MWRA policies (including in PFY24), the Authority should shift all water and sewer OPEB contributions PFY24 CEB to the pension line item and continue to do so until "virtual full funding" level is achieved (95%-105%).*



# Pension

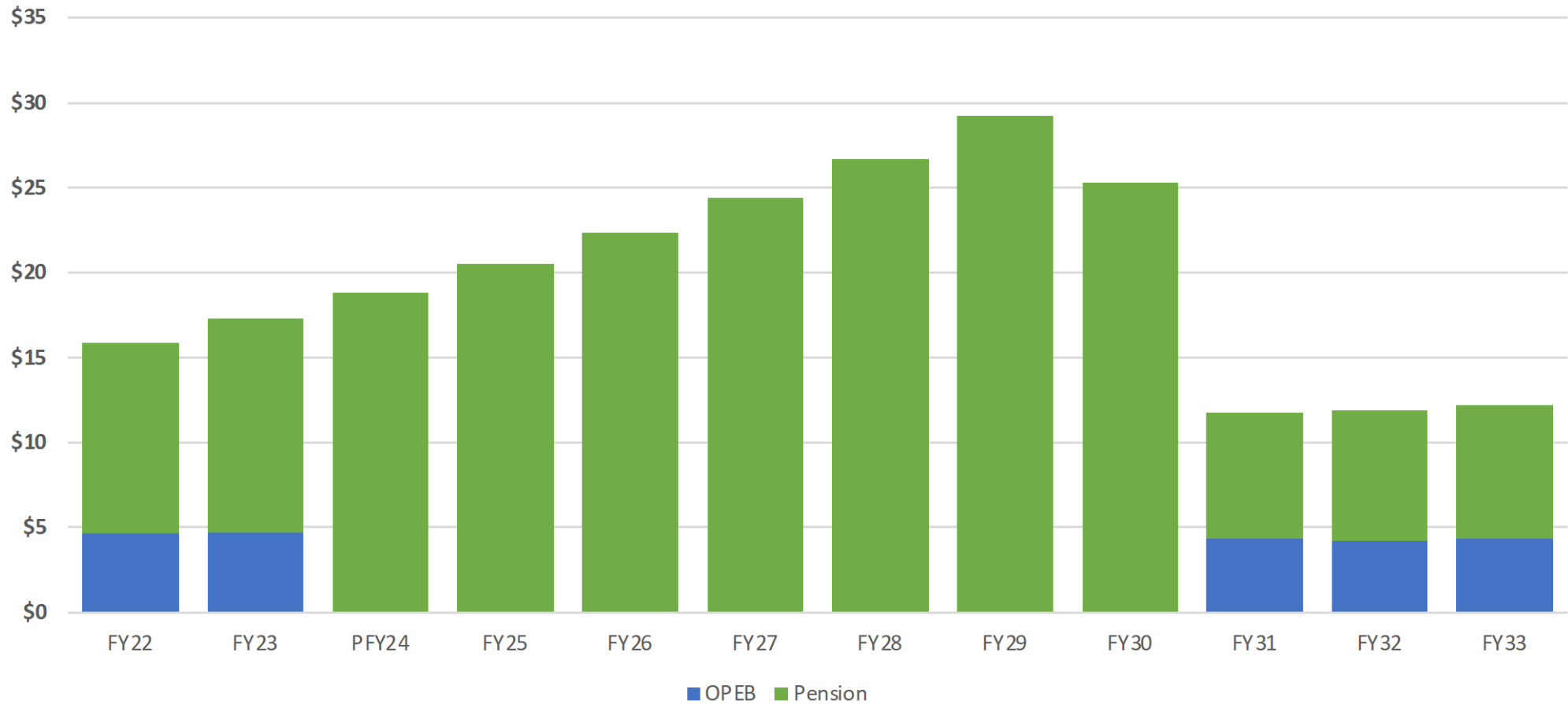
## Pension and OPEB Contributions FY22-FY33





# Pension

## Pension and OPEB Contributions FY22-FY33





# Pension

## **PFY23 Comments & Recommendations**

*The Authority should not move away the Advisory Board recommendation on shifting all OPEB contributions to pension without extending out the current pension funding schedule provided it doesn't dramatically impact the CEB Rate Revenue Requirement.*



# Capital Finance

Proposed Fiscal Year 2024				
Capital Financing Summary				
(\$ millions)				
Line Item/Description	Final FY23	Proposed FY24	Δ (\$s)	Δ (%)
Senior Debt Service	\$302.17	\$301.17	-\$1.00	-0.3%
Subordinate Debt Service	75.49	68.76	-6.73	-8.9%
SRF Debt Service	96.34	95.12	-1.22	-1.3%
<b>TOTAL DEBT SERVICE</b>	<b>474.00</b>	<b>465.05</b>	<b>-8.95</b>	<b>-1.9%</b>
Water Pipeline Commercial Paper	6.23	7.77	1.54	24.7%
Debt service supporting \$25 million/year for the Local Water Pipeline Improvement and Local Water System Assistance Loan Programs				
Current Revenue/Capital	18.20	19.20	1.00	5.5%
Amount of current revenue used to fund ongoing capital projects and to meet coverage requirements				
CORE Fund Deposit	-	-	-	-
The CORE Fund is no longer required, per revisions to the bond resolution				
Capital Lease	3.22	3.22	0.00	0.0%
Chelsea facility lease payment				
Debt Prepayment	5.50	6.00	0.00	0.0%
Advance payment to Commonwealth on watershed related debt				
<b>TOTAL OTHER CAPITAL EXPENSES</b>	<b>33.15</b>	<b>36.19</b>	<b>3.04</b>	<b>9.2%</b>
Debt Service Assistance (offset)	-1.18	0.00	1.18	-100.0%
The state-wide program providing assistance with wastewater debt service is not assumed in the Commonwealth's FY17 budget.				
<b>TOTAL CAPITAL FINANCING EXPENSES</b>	<b>\$505.97</b>	<b>\$501.25</b>	<b>(\$4.73)</b>	<b>-0.9%</b>



# Capital Finance

## **PFY23 Comments & Recommendations**

*The Advisory Board strongly advocates for prioritizing defeasance towards water debt service expenses in the upcoming fiscal year (FY24). This targeted approach aims to address the specific financial demands and optimize the MWRA's financial position.*



# Capital Finance

## **PFY23 Comments & Recommendations**

*Taking into account the projected availability of surplus funds for defeasance, the Advisory Board recommends allocating \$2,850,000 towards targeting water defeasance in the final FY2024 operating budget.*





# FY24 Budget Review Recap

- Spring Revisits
- Debt Service Assistance
- Sludge Pelletization
- MWRA personnel/vacancy rate
- Watershed
- Capital Finance

} **2.42%**

Budget	Water	Sewer	Combined
Original PFY24	3.90%	3.10%	3.42%
Draft Final FY24	5.34%	2.30%	3.38%
Advisory Board C&R	<b>3.84%</b>	<b>1.64%</b>	<b>2.42%</b>



**MWRA Fiscal Year 2024  
Current Expense Budget  
Development Update**

May 24, 2023



## Direct Expenses

- Wages & Salaries
- Chemicals
- Utilities
- Maintenance
- Other Services

## Indirect Expenses

- Watershed Reimbursement



## Debt Service

- SRF
- Senior Debt
- Subordinate Debt
- Debt Service Assistance
- Defeasance

## Revenue

- Investment Income



## Advisory Board

- Cooperation throughout the budget process
- Staff will develop formal responses to the Advisory Board's comments and recommendations
- Staff will be back in June with a Draft Final recommendation



***Thank You!***