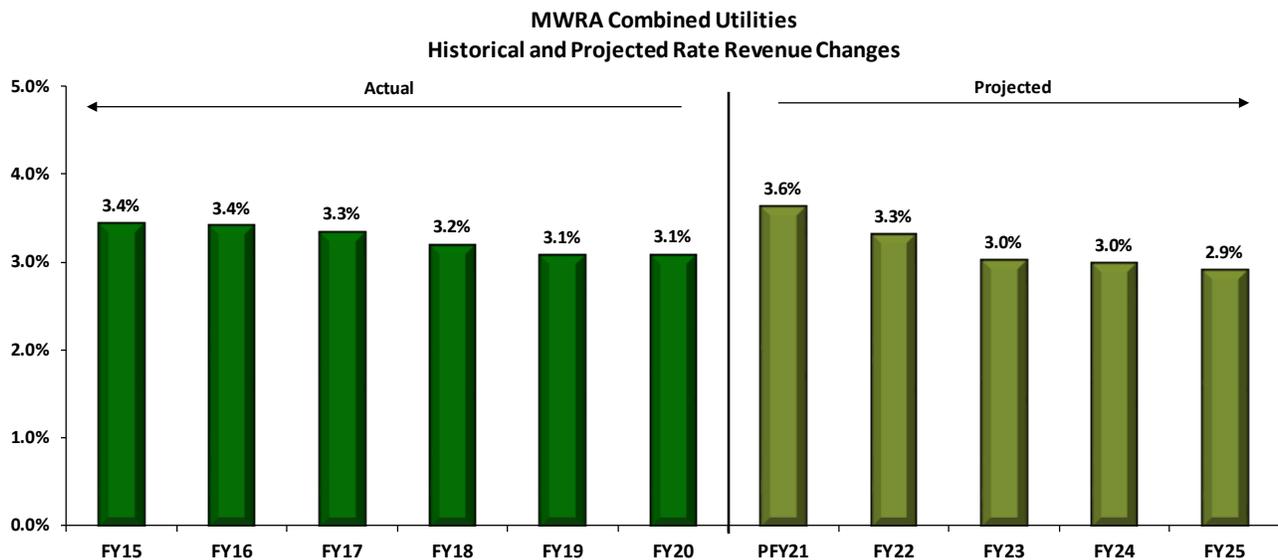




# Massachusetts Water Resources Authority

## Fiscal Year 2021 Proposed Current Expense Budget & Community Assessments

The MWRA continues to pursue a rates management strategy that promotes predictable and sustainable assessments to our communities. The FY2021 Proposed Budget puts forth a 3.6% combined rate increase, which is below our goal of no more than 4.0%. This is achieved by limiting direct and indirect expense increases and continuing to control debt service through a series of defeasances targeting the most challenging years.



The FY2021 Proposed Current Expense Budget includes a Rate Revenue Requirement (RRR) of \$789.4 million, an increase of \$27.6 million or 3.63% over the FY2020 Budget. This increase is primarily the result of debt service obligations to support MWRA’s Capital Improvement Program. Increased staffing for the Metropolitan Water Tunnel Redundancy project, energy costs, pension expenses, and costs related to the new cross harbor electric transmission cable that supplies power to the Deer Island Treatment Plant will also impact the FY2021 Budget and RRR.

The FY2021 Rate Revenue Requirement will be assessed to the 55 communities and local bodies served by MWRA’s metropolitan water and sewer utilities based on each community’s share of CY2019 water usage, changes in share of averaged CY2017, CY2018 and CY2019 wastewater flow, changes in total census population and sewered population, and changes in high strength and septage contributions to the MWRA sewer system.

The attached Table I shows MWRA’s FY2021 Proposed Budget for revenue and expenses compared with the FY2020 Budget. Table II details preliminary FY2021 Water and Sewer Assessments for each community.

### ***Capital Expenses***

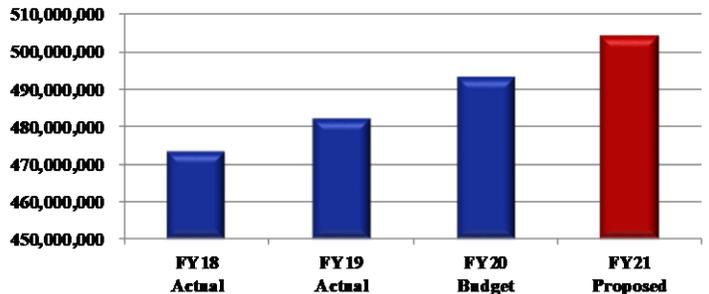
As a result of the Authority’s Capital Improvement Program, capital financing as a percent of total expenses (before offsets) has increased steadily from 36% in 1990 to 61.7% in the FY21 Proposed Current Expense Budget. Much of this debt service is for completed projects, primarily the Boston

Harbor Project, the Integrated Water Supply Improvement Program, and the Combined Sewer Overflow (CSO) projects. MWRA's capital spending, from its inception, has been dominated by projects mandated by court ordered or regulatory requirements, which in total have accounted for ~72% of capital spending to date. Going forward, the majority of spending will be focused on asset protection and water redundancy initiatives

The Authority continues to actively manage its debt structure to take advantage of favorable interest rates. Tools used by 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. MWRA also uses tax-exempt commercial paper to minimize the financing cost of construction in process.

The FY2021 Proposed Budget capital financing costs total \$504.0 million, reflecting a \$10.9 million or 2.2% increase over the FY2020, and remains the largest portion of the MWRA's budget.

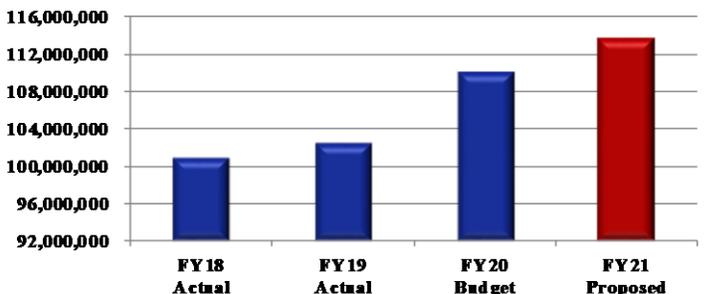
**Capital Expenses**



**Wages and Salaries**

The FY2021 Proposed Budget includes \$113.7 million for wages and salaries as compared to \$110.0 million in the FY2020 Budget, an increase of \$3.7 million or 3.4% largely due to contractual agreements. The proposed budget funds 1,163 positions, an increase of 5 positons from FY2020 to support the water system redundancy projects.

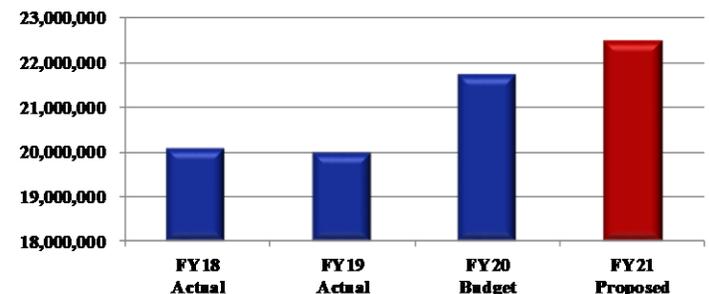
**Wages and Salaries**



**Fringe Benefits**

The FY2021 Proposed Budget includes \$22.5 million for Fringe Benefits, an increase of \$775,000 or 3.67% from the FY2020 Budget. This increase is primarily due to an anticipated 6% increase in Health Insurance premiums.

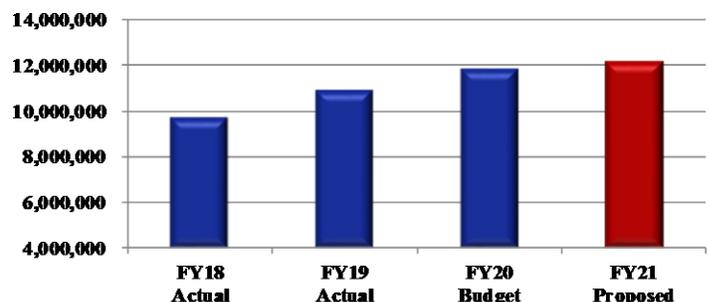
**Fringe Benefits**



**Chemicals**

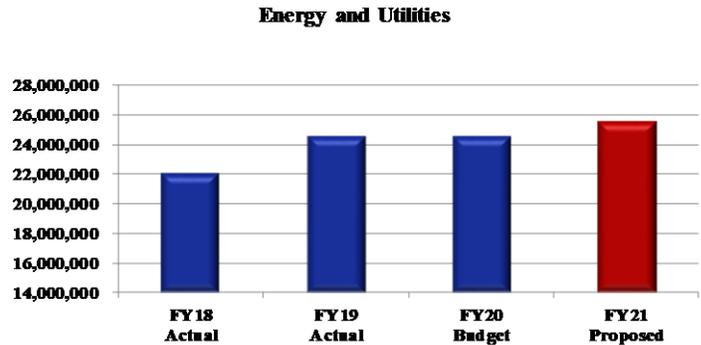
The FY2021 Proposed Budget includes \$12.2 million for Chemicals, an increase of \$371,000 or 3.1% from the FY2020 Budget. This increase is due to increased chemical pricing.

**Chemicals**



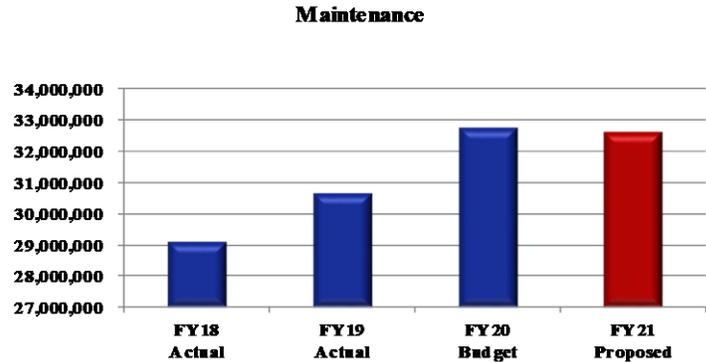
## Energy and Utilities

The FY2021 Proposed Budget includes \$25.5 million for Utilities, an increase of \$1.1 million or 4.4% over the FY2020 Budget. The increase is primarily related to increased electrical and diesel fuel usage at the Deer Island Treatment Plant.



## Maintenance

The FY2021 Proposed Budget includes \$32.6 million for maintenance projects to support the Authority's core mission of providing safe, reliable water and sewer service by protecting its assets and ensuring efficient operations.



## Indirect Expenses

Indirect Expenses for FY2021 total \$57.6 million, an increase of \$6.7 million or 13.3% over the FY2020 Budget. Below are the major changes:

- \$3.1 million for Insurance, an increase of \$448,000 or 17.2% driven by higher premiums.
- \$26.3 million for the Watershed Management budget, a decrease of \$502,000 or 1.9%.
- \$7.2 million for the Harbor Energy Electric Company (HEEC), an increase of \$2.8 million or 62.9%.
- \$11.0 million for the Retirement Fund which is level to planning estimates, but an increase of \$3.7 million or 50.4%

## Other Revenue

FY2021 other revenue is projected to total \$27.3 million, a decrease of \$3.2 million or 10.5%. The decrease is due to lower investment income rates on MWRA funds. Investment Income is projected to decrease by \$3.3 million or 21.6% from the FY2020 Budget.

## The Outcome

The Fiscal Year 2021 Proposed Current Expense Budget:

- ✓ Continues to maintain the Authority's assets, ensuring safe and reliable water and sewer service.
- ✓ Includes targeted debt defeasance using surplus created mostly by low short-term interest rates.
- ✓ Judiciously uses reserves to lower rate increases while maintaining adequate balances for use in future years.
- ✓ Continues to employ a multi-year strategy to mitigate future rate increases without potentially jeopardizing the Authority's high credit rating.

<b>Table 1</b>					
<b>MWRA Current Expense Budget</b>					
<b>FY21 Proposed versus FY20 Approved Budget</b>					
(\$ in Millions)	FY20 Approved Budget	FY21 Proposed Budget	\$ Change	% Change	
Directs	\$ 248.3	\$ 255.0	\$ 6.7	2.7%	
Indirects	50.9	57.6	6.7	13.3%	
<b>Sub-Total Operating Expenses</b>	<b>\$ 299.2</b>	<b>\$ 312.7</b>	<b>\$ 13.5</b>	<b>4.5%</b>	
Capital Financing (before Offsets)	494.0	504.0	10.0	2.0%	
Offsets: Bond Redemption <sup>1</sup>	-	-	-		
Variable Debt Savings	-	-	-		
Debt Service Assistance	(0.9)	-	0.9	-100.0%	
<b>Sub-Total Capital Financing</b>	<b>\$ 493.1</b>	<b>\$ 504.0</b>	<b>\$ 10.9</b>	<b>2.2%</b>	
<b>Total Expenses</b>	<b>\$ 792.2</b>	<b>\$ 816.7</b>	<b>\$ 24.4</b>	<b>3.1%</b>	
Investment Income	\$ 15.5	\$ 12.2	\$ (3.3)	-21.6%	
Non-Rate Revenue	15.0	15.1	0.1	1.0%	
Rate Stabilization <sup>1</sup>	-	-	-		
<b>Sub-Total Non-Rate Revenue</b>	<b>\$ 30.5</b>	<b>\$ 27.3</b>	<b>\$ (3.2)</b>	<b>-10.5%</b>	
Rate Revenue	761.8	789.4	27.6	3.6%	
<b>Total Revenue &amp; Income</b>	<b>\$ 792.2</b>	<b>\$ 816.7</b>	<b>\$ 24.4</b>	<b>3.1%</b>	
<b>FY21 Rate Revenue Increase</b>			<b>3.63%</b>		
<b>Combined Use of Reserves</b>	<b>\$ -</b>	<b>\$ -</b>			

<sup>1</sup> 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 Fund reduces total expenses and Rate Stabilization Fund 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.