



MASSACHUSETTS WATER RESOURCES AUTHORITY

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Frederick A. Laskey
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BOARD OF DIRECTORS' MEETING

to be held on

Wednesday, May 6, 2020

Held Virtually

Pursuant to Governor Baker's March 12, 2020 Order
Suspending Certain Provisions of the Open Meeting Law

Webex Meeting Link:

<https://mwra.my.webex.com/mwra.my/j.php?MTID=m1082bfa79b8dcbcf67c73f0835a686e5>

Meeting number (access code): 627 836 208

Meeting password: MaySix2020

Time:

3:00 p.m.

REVISED AGENDA

I. REPORT OF THE CHAIR

II. REPORT OF THE EXECUTIVE DIRECTOR

III. BOARD ACTIONS


A. Approvals

1. Program Guidelines for the Community Financial Assistance Programs
2. Bond Defeasance of Future Debt Service
3. Final FY21 Current Expense Budget
4. Final FY21 Water and Sewer Assessments
5. Application of Commonwealth's Sewer Rate Relief to June FY20 Assessments

IV. OTHER BUSINESS

V. ADJOURNMENT


STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: May 6, 2020
SUBJECT: Amendments to Community Loan Agreements

COMMITTEE: Administration, Finance & Audit

VOTE
 INFORMATION

Matthew R. Horan, Deputy Director, Finance/Treasurer
Preparer/Title


Thomas J. Durkin
Director of Finance

As a result of the economic impacts of the COVID-19 pandemic, MWRA and Advisory Board staff have undertaken several initiatives to provide cash flow relief to MWRA's member communities. In response to a request from the Advisory Board Executive Committee, this staff summary proposes a one-time exemption to the Program Guidelines for the Community Financial Assistance Programs. This one-time exception would allow communities the flexibility to request restructuring of payments coming due in FY20, FY21 and/or FY22 to provide cash flow relief and assist with local rates management. The amount and duration of what loans will be restructured will vary by community and the limitations under Massachusetts General Laws Chapter 44 (if applicable).

RECOMMENDATION:

To authorize the Executive Director, or his designee, to execute and deliver all necessary documents to provide a one-time exemption to the Program Guidelines for the Community Financial Assistance Programs to amend the existing loans with payment coming due in FY20, FY21, and/or FY22 and to extend the final maturity of each loan by one year.

DISCUSSION:

The COVID-19 pandemic has caused great strain on the world-wide economy and has caused an uncertain economic climate. In order to assist MWRA's Member Communities manage the cash flow associated with water and sewer payments, MWRA and Advisory Board staff have worked together on a number of initiatives. One of those initiatives is to allow Member Communities with outstanding Community Financial Assistance Program loans to restructure payments coming due in FY20, FY21 and/or FY22. MWRA has three Community Financial Assistance Programs including the Local Water Pipeline, Lead Service Removal, and Inflow/Infiltration loans. The Local Water Pipeline and Lead Service Removal loans are for a term of 10 years at zero percent interest. The Inflow/Infiltration program is a combination loan/grant program with loans issued prior to FY15 being 45% grant and 55% five-year interest free loans. Since FY15, the program has been 75% grant and 25% ten-year interest free loan. MWRA currently has \$34.4 million in

Inflow/Infiltration loans and \$158.2 million in Water System Loans outstanding. The following table details the payments due by utility during FY20 through FY22.

Fiscal Year	Inflow/Infiltration Loans	Water System Loans	Total
2020	\$ 1,551,770	\$ 7,634,802	\$ 9,186,572
2021	\$ 6,212,359	\$ 26,172,777	\$ 32,385,136
2022	\$ 5,213,404	\$ 24,285,761	\$ 29,499,165

While this table details the full amount of payments due in each fiscal year, as discussed below, the total available by for a community to restructure is limited by Massachusetts General Laws Chapter 44.

In 2015, the Town of Stoneham requested assistance from MWRA with managing the loss of a large water user, Kraft Foods, and the significant rate pressure due to the timing difference between the revenue loss and MWRA’s assessment methodology. At that time, in consultation with the Advisory Board, MWRA offered to restructure its Community Loans to provide rate relief in FY16.

As MWRA and Advisory Board staff examined options to provide cash flow relief, the community loan restructuring utilized by Stoneham was presented as an option. The Advisory Board Executive Committee voted to request that MWRA allow for restructuring of the existing loans at its April 10, 2020 meeting.

Restructuring of the loans will allow for cash flow relief to MWRA’s Member Communities by reducing the principal payments due during the fiscal year. While it reduces the amount of money a community would have to pay to MWRA, it only has a nominal impact on MWRA’s Current Expense Budget (CEB) or Capital Improvement Program (CIP). The principal repayments are deposited into MWRA’s Construction Fund and are used to offset the amount of money borrowed to fund the CIP. Restructuring of these payments would result in increased borrowings during the FY21 and FY22 period, which would be offset by lower debt issuance in future years as the principal was repaid. MWRA would also experience a reduction in investment income as result of the restructured loans, which would be approximately \$75,000 for the year based on an estimated \$30 million in payments restructured at the projected FY21 short-term interest rate of 25 basis points.

Staff have discussed this proposed loan restructuring with its financial advisor, bond counsel and the analysts from Moody’s Investor Service, Fitch Ratings, and S&P Global. The general consensus is that this program will provide cash flow relief to the communities with minimal impact to the CEB.

The restructuring of the loan agreements for Cities and Towns are subject to the refunding provisions in Massachusetts General Laws Chapter 44, as applicable. These conditions will include the following:

- Amendment will require approval of the city council, selectboard, or commissioners.

- There must be a principal payment in each year of the loan (\$500 was used as a minimum in Stoneham’s case).
- The weighted average life of the restructured bonds has to be equal or less than a level principal refunding.

Below is an example of the restructuring of an existing loan to meet the requirements under MGL Chapter 44. MWRA will work with each community to develop a loan amortization schedule that meets its needs within the statutory restrictions. This is an example of what a restructuring of a 10-year loan with eight years remaining might look like with a one-year extension.


Level Principal Refunding					Adjusted Principal Refunding					
Fiscal Year	Year	Cumulative Years	Principal Amortization	Weighted Principal	Fiscal Year	Year	Cumulative Years	Principal Amortization	Weighted Principal	Annual Difference
2021	0.872	0.872	\$ 33,383.00	\$ 29,117.39	2021	0.872	0.872	\$ 500.00	\$ 436.11	\$ (32,883.00)
2022	1.000	1.872	\$ 33,383.00	\$ 62,500.39	2022	1.000	1.872	\$ 37,243.00	\$ 69,727.17	\$ 3,860.00
2023	1.000	2.872	\$ 33,383.00	\$ 95,883.39	2023	1.000	2.872	\$ 47,243.00	\$ 135,692.39	\$ 13,860.00
2024	1.000	3.872	\$ 33,383.00	\$ 129,266.39	2024	1.000	3.872	\$ 49,243.00	\$ 190,679.84	\$ 15,860.00
2025	1.000	4.872	\$ 33,383.00	\$ 162,649.39	2025	1.000	4.872	\$ 47,243.00	\$ 230,178.39	\$ 13,860.00
2026	1.000	5.872	\$ 33,383.00	\$ 196,032.39	2026	1.000	5.872	\$ 37,243.00	\$ 218,699.17	\$ 3,860.00
2027	1.000	6.872	\$ 33,383.00	\$ 229,415.39	2027	1.000	6.872	\$ 37,243.00	\$ 255,942.17	\$ 3,860.00
2028	1.000	7.872	\$ 33,383.00	\$ 262,798.39	2028	1.000	7.872	\$ 34,243.00	\$ 269,568.51	\$ 860.00
2029	1.000	8.872	\$ 33,383.00	\$ 296,181.39	2029	1.000	8.872	\$ 10,246.00	\$ 90,904.79	\$ (23,137.00)
		Total	\$ 300,447.00	\$ 1,463,844.55			Total	\$ 300,447.00	\$ 1,461,828.55	\$ -
		Average Life		4.8722			Average Life		4.8655	

Staff will work closely with each community, in conjunction with its financial advisors and bond counsel to determine the restructuring that meets its needs and complies with applicable laws.

BUDGET/FISCAL IMPACT:

The cost for reducing these payments cannot be completely determined until number of interested communities and the amount restructured is known. The restructuring will likely result in increased borrowing in FY21 and FY22, which will be offset by lower issuance in the future. The restructuring could also potentially result in a reduction of \$75,000 in investment income based on FY21 projected short-term investments. MWRA’s Draft Final FY21 CEB includes the impacts of the proposed loan restructuring.


STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: May 6, 2020
SUBJECT: Bond Defeasance of Future Debt Service

COMMITTEE: Administration, Finance & Audit

VOTE
 INFORMATION

Matthew R. Horan, Deputy Director, Finance/Treasurer
Preparer/Title


Thomas J. Durkin
Director of Finance

As a result of the economic impacts of the COVID-19 pandemic, MWRA and Advisory Board staff have undertaken several initiatives to provide cash flow relief to MWRA's member communities. Consistent with MWRA's multi-year rates management strategy, MWRA staff are recommending the execution of an approximately \$30.6 million defeasance in June 2020 to reduce future year rate increases. The \$30.6 million in available funds is derived from the use of \$25.3 million of the FY20 surplus, the \$5.0 million Debt Prepayment included in the FY20 CEB and \$294,020 surplus funds from FY19. These funds will be used to prepay debt service coming due in FY21 through FY24 (\$28.1 million in principal and \$2.5 million in interest).

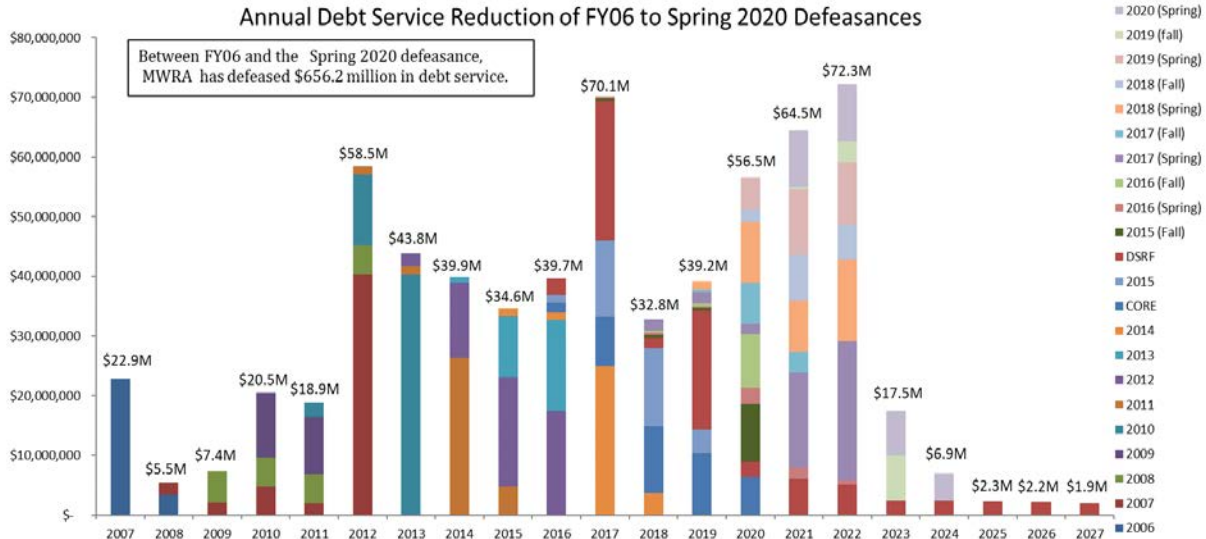
RECOMMENDATION:

To authorize the Executive Director or his designee, on behalf of the Authority, to enter into, execute and deliver all necessary agreements and other instruments and to take such other actions necessary to effectuate the redemption and defeasance of an aggregate principal amount of \$28,140,000 of outstanding MWRA senior bonds including to cause the escrow of cash and/or securities in an amount necessary to fund such redemption and defeasance, in order to reduce the debt service requirement by \$31,057,000 in the FY21 through FY24 timeframe.

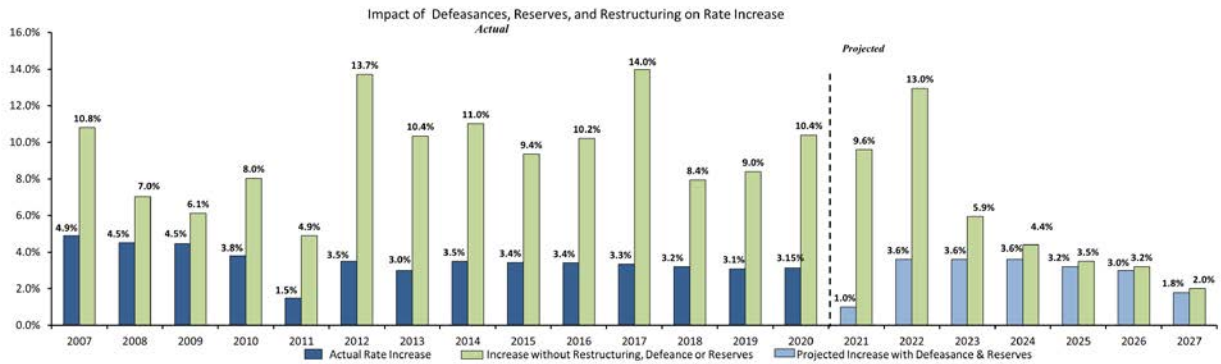
DISCUSSION:

Since FY12, the MWRA has utilized the budgetary defeasance account strategy to set aside surplus funds associated with the capital finance budget to defease outstanding debt. In order to mitigate rate increases, staff reflected the impact of a \$15.0 million defeasance in the Proposed FY21 CEB comprised of the projected FY20 surplus as well as the FY20 CEB Debt Prepayment. Now, based on current year-end projections, the proposed defeasance has increased to approximately \$30.6 million, consisting of \$25.3 million from the projected FY20 surplus, \$5.0 million of FY20 Debt Prepayment and \$294,020 from FY19 for even greater debt service reductions in future years.

MWRA’s ongoing use of defeasances has had a significant impact in lowering future debt service payments and limiting annual rate revenue increases. From 2006 through this proposed transaction, MWRA has defeased \$656.2 million in debt service to reduce future year rate revenue requirements. The following chart details the multi-year impact of those defeasances.



The application of these defeasances has had a significant impact on rate increases. The chart below shows the estimated rate increase without the application of the defeasances.



Staff reviewed all bonds available to be defeased, and have identified the maturities of the bonds in the following table as the most advantageous defeasance candidates.

Series	Maturity	Call Date	Principal	Defeasance Cost ¹
2013A	August 1, 2022	August 1, 2022	\$ 4,155,000	\$ 4,487,400
2013A	August 1, 2023	August 1, 2023	\$ 1,660,000	\$ 1,859,200
2013A	August 1, 2024	August 1, 2023	\$ 2,045,000	\$ 2,351,750
2014D	August 1, 2022	August 1, 2022	\$ 1,530,000	\$ 1,683,000
2014D	August 1, 2023	August 1, 2023	\$ 1,605,000	\$ 1,845,750
2016C	August 1, 2022	August 1, 2022	\$ 2,990,000	\$ 3,229,200
2016D	August 1, 2024	August 1, 2024	\$ 835,000	\$ 1,002,000
2017B	August 1, 2024	August 1, 2020	\$ 1,455,000	\$ 1,455,000
2017C	August 1, 2021	August 1, 2021	\$ 8,130,000	\$ 8,455,200
2019B	August 1, 2023	August 1, 2023	\$ 3,735,000	\$ 4,295,250
Total			\$ 28,140,000	\$ 30,663,750

(1) Defeasance costs is only anticipated funds from surplus and does not included current year deposits. Assumes no interest earned on escrow

The following table details the annual budget savings by fiscal year for the proposed FY20 spring defeasance.

Budget Reduction by Fiscal Year				Total CEB Savings
2021	2022	2023	2024	
\$ 9,367,650	\$ 9,587,450	\$ 7,550,150	\$ 4,551,750	\$ 31,057,000

The proposed defeasance reduces debt service by a total of \$31.1 million between FY21 and FY24. The total debt service reduction attributable to the defeasance is approximately \$393,250 higher than the defeasance cost because both the 2016 Series C and 2017 Series B bonds are callable prior to their maturity date. The payment of these bonds on the call date will yield interest savings, as a result of paying off the bonds prior to maturity without interest accruing. Since 2006, MWRA has avoided \$35.5 million in interest by defeasing callable bonds.

The funds will be utilized to purchase governmental securities in an amount sufficient to make all future interest and principal payments on the bonds to be defeased, offset by the interest earned on the securities.

The governmental securities purchased will be deposited with an escrow agent (bond trustee). Once established, an escrow is irrevocable, replacing any future debt service payments due for the bonds being escrowed, and therefore reducing the rate revenue requirement. Establishing an escrow reduces debt service requirements for each fiscal year from the time it is executed until the defeased bonds mature.


Establishing an escrow to defease debt requires that MWRA's bond counsel draft an agreement to this effect and an independent verification agent must certify that the funds in the escrow are sufficient to pay the remaining debt service. Bonds that are escrowed to maturity are not included in the MWRA's debt cap or debt service coverage calculations. Staff will continue to monitor

market conditions and the maturities available to be defeased to ensure that the bonds selected provide MWRA with the highest available debt service savings.

BUDGET/FISCAL IMPACT:

The defeasance of these bonds will decrease the FY21 through FY24 debt service requirement by \$31.1 million. The cost associated with bond counsel and financial advisory services will be paid out of the Treasury Department's professional services budget.


STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: May 6, 2020
SUBJECT: Draft Final FY21 Current Expense Budget

COMMITTEE Administration, Finance & Audit

Michael Cole, Budget Director
James Coyne, Budget Manager
Preparer/Title

 INFORMATION
 X VOTE


Thomas J. Durkin
Director, Finance

The Proposed FY21 Current Expense Budget (CEB) was submitted to the Advisory Board at the February 2020 Board meeting and included a 3.63% combined assessment increase.

As a result of the economic impacts of the Coronavirus Pandemic, MWRA and Advisory Board staff have undertaken several initiatives to provide financial relief to MWRA's member communities. One of those initiatives has been to reduce the combined assessment increase of 3.63% in the FY21 Proposed Budget to 1.00% in the FY21 Draft Final Budget. In order to achieve that, staff have identified \$25.3 million in expense reductions that have been incorporated into the FY21 Draft Final Budget. Of the \$25.3 million, \$2.8 million is from Direct Expenses, \$0.4 million is from Indirect Expenses, and \$22.1 is from Debt Service. In addition, \$1.5 million of Rate Stabilization will be used in FY21.

As is the case every year, the main focus is on next year's budget, but always with the goal of continuing to utilize MWRA's multi-year rate management strategy to provide sustainable, and predictable assessment increases to its member communities. To achieve this goal again this year, MWRA has continued to employ conservative budgeting and fiscal discipline which includes controlled spending and use of historical variable rate assumptions. The combination of these measures resulted in assessments increase projections below 3.7% for the next several years, while being able to reduce FY21 to a combined 1.00% increase.

RECOMMENDATION:

1. To adopt the Draft Final FY21 Current Expense Budget (CEB) set forth in Attachment A with current revenue and expense of \$791,356,438.
2. To adopt the Draft Final FY21 Operating Budget (Trustee's Budget) set forth in Attachment B.

DISCUSSION:

This staff summary presents the Draft Final FY21 CEB. Discussions and materials will be provided outlining changes to the budget since the transmittal of the FY21 Proposed CEB in February 2020. In working with the MWRA Advisory Board, staff revisited all major line items of the budget and evaluated options to reduce the Rate Revenue Requirement to 1.0%.

For a line item comparison between the FY21 Proposed CEB and the Draft Final FY21 CEB, please refer to Attachment A.

Summary

The Draft Final FY21 Budget recommends a combined increase in rates and charges of 1.0%. Capital Financing costs remain the largest component of the CEB and account for 60.9% of total expenses. Total expenses are \$791.4 million, a reduction of \$0.9 million or 0.1% from the FY20 Budget. The Draft Final FY21 Budget assumes no offset for Debt Service Assistance (DSA).

Total expenses include \$481.9 million for Capital Financing costs and \$309.5 million for operating expenses, of which \$252.2 million is for Direct Expenses and \$57.3 million is for Indirect Expenses. The \$0.9 million reduction in total expenses is mainly due to lower Capital Financing costs of \$11.2 million, offset by higher Direct Expenses of \$3.9 million and higher Indirect Expenses of \$6.4.

The Draft Final FY21 Budget revenues, excluding rate revenue, total \$22.0 million, a decrease of \$8.5 million or 27.9% from the FY20 Budget. The Draft Final FY21 Budget for non-rate revenue includes \$15.3 million in Other User Charges and Other Revenue, \$5.2 million for Investment Income, and \$1.5 million of Rate Stabilization Reserves.

The Draft Final FY21 Rate Revenue Requirement is \$769.4 million, an increase of \$7.6 million million or 1.0% over the FY20 Budget.

Table 1 on the following page provides a comparison of the Draft Final FY21 CEB to the Approved FY20 CEB by major categories. Additional detail by line item is provided in Attachment A.

Table 1					
MWRA Current Expense Budget					
FY21 Draft Final versus FY20 Approved Budget					
(\$ in Millions)	FY20 Approved Budget	FY21 Draft Final Budget	\$ Change	%	Change
Directs	\$ 248.3	\$ 252.2	\$ 3.9		1.6%
Indirects	50.9	57.3	6.4		12.5%
Sub-Total Operating Expenses	\$ 299.2	\$ 309.5	\$ 10.3		3.4%
Capital Financing (before Offsets)	\$ 494.0	\$ 481.9	\$ (12.1)		-2.5%
Offsets: Bond Redemption ¹	-	-	-		0.0%
Variable Debt Savings	-	-	-		0.0%
Debt Service Assistance	(0.9)	-	0.9		-100.0%
Sub-Total Capital Financing	\$ 493.1	\$ 481.9	\$ (11.2)		-2.3%
Total Expenses	\$ 792.3	\$ 791.4	\$ (0.9)		-0.1%
Investment Income	\$ 15.5	\$ 5.2	\$ (10.3)		-66.7%
Non-Rate Revenue	15.0	15.3	0.3		2.0%
Rate Stabilization ¹	-	1.5	1.5		100.0%
Sub-Total Non-Rate Revenue	\$ 30.5	\$ 22.0	\$ (8.5)		-28.0%
Rate Revenue	761.8	769.4	7.6		1.0%
Total Revenue & Income	\$ 792.3	\$ 791.4	\$ (0.9)		-0.1%
FY21 Rate Revenue Increase					1.00%
Combined Use of Reserves	\$ -	\$ 1.5			

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 Fund reduces total expenses and the 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.

Expenses

Direct Expenses

FY21 Direct Expenses total \$252.2 million, an increase of \$3.9 million, or 1.6% from the FY20 Budget.

FY21 DRAT FINAL CURRENT EXPENSE BUDGET				
MWRA DIRECT EXPENSES BY LINE ITEM				
LINE ITEM	FY20 Approved Budget	FY21 Draft Final Budget	Change FY21 vs FY20	
WAGES AND SALARIES	\$ 109,953,483	\$ 112,919,298	\$ 2,965,815	2.7%
OVERTIME	4,898,965	5,019,295	120,330	2.5%
FRINGE BENEFITS	21,717,533	22,402,224	684,691	3.2%
WORKERS' COMPENSATION	2,354,256	2,476,655	122,399	5.2%
CHEMICALS	11,811,222	12,091,255	280,033	2.4%
ENERGY AND UTILITIES	24,454,796	24,200,845	(253,951)	-1.0%
MAINTENANCE	32,726,954	32,618,571	(108,383)	-0.3%
TRAINING AND MEETINGS	504,394	405,264	(99,130)	-19.7%
PROFESSIONAL SERVICES	8,295,315	8,377,283	81,968	1.0%
OTHER MATERIALS	6,867,239	6,706,916	(160,323)	-2.3%
OTHER SERVICES	24,683,370	24,983,777	300,407	1.2%
TOTAL	\$ 248,267,527	\$ 252,201,383	\$ 3,933,855	1.6%

- *Wages and Salaries* – The budget includes \$112.9 million for Wages and Salaries versus \$110.0 million in the FY20 Budget, an increase of \$3.0 million or 2.7%. Regular Pay makes up \$111.8 million or 99.0% of the total Wages and Salaries. The FY21 Budget funds 1,163 FTEs, five more than the FY20 Budget. The five additional FTEs will support the Metropolitan Tunnel Redundancy Program. As always, new hires and backfilling of vacant positions will be managed at the agency level and addressed on a case-by-case basis by senior management. A vacancy adjustment of \$2.6 million is factored in to the FY21 Draft Final Budget.
- *Overtime* – The budget includes \$5.0 million for Overtime, an increase of \$120,000 or 2.5% as compared to the FY20 Budget mainly due to wage increases and resizing the planned and emergency OT based on trends.
- *Fringe Benefits* – The budget includes \$22.4 million for Fringe Benefits, an increase of \$685,000 or 3.2% from the FY20 Budget. Health Insurance premiums total \$19.0 million, an increase of \$656,000 or 3.6% from the FY20 Budget largely due to an increase in the rates for the structure of the health plans offset by a change to the number and mix of plans based on FY20 enrollment changes.
- *Workers' Compensation* – The budget includes \$2.5 million for Workers' Compensation, an increase of \$122,000 or 5.2% from the FY20 Budget and is based on a three-year average of actual spending.
- *Chemicals* – The budget includes \$12.1 million for Chemicals, an increase of \$280,000 or 2.4% over the FY20 Budget. Higher prices drove the budget increase, partially offset by lower volumes for some chemicals. Ferric Chloride increased by \$228,000 or 2.4% reflecting higher prices and dosing at Deer Island and Clinton. Sodium Hypochlorite

increased by \$57,000 or 1.8% due to higher pricing and dosing at CWTP and BWTF based on multi-year trends, higher pricing at Deer Island, partially offset by elimination of wet scrubbers at Chelsea Creek Headworks. The FY21 Budget does not include any funding for the new Deer Island National Pollutant Discharge Elimination System (NPDES) permit, which is projected to have more stringent requirements for enterococcus treatment compliance.

- *Utilities* – The budget includes \$24.2 million for Utilities, which is a decrease of \$254,000 or 1.0% from the FY20 Budget. The budget funds \$18.3 million for Electricity; \$2.7 million for Diesel Fuel; \$2.5 million for Water; and \$630,000 for Natural Gas. The change to Utilities is driven by Electricity, which has decreased by \$453,000 or 2.4% from the FY20 Budget, and is due to a drop in the average price/kWh based on contracts and market conditions; partially offset by a net increase in purchased power based on actual usage. The reduction to Electricity is partially offset by an increase to Water of \$114,000 or 4.8%, and Diesel Fuel of \$83,000 or 3.2% driven by higher projected usage based on multi-year trends at Deer Island and partially offset by lower projected fuel prices. Deer Island assumes multiple days of emergency CTG use due to wet weather events.
- *Maintenance* – The budget includes \$32.6 million for Maintenance projects, a decrease of \$108,000 or 0.3% from the FY20 Budget. The Operations Division had an increase of \$122,000 or 0.4% from FY20.
- *Training and Meetings* – The budget includes \$405,000 for Training and Meetings, a decrease of \$99,000 or 19.7% from the FY20 Budget. The reduction is due to less anticipated participation in trainings and conferences due to the Coronavirus Pandemic.
- *Professional Services* – The budget includes \$8.4 million for Professional Services, an increase of \$82,000 or 1.0% over the FY20 Budget. The increase is driven by Computer System Consultant in MIS which increased by \$137,000 or 8.2%, offset by a reduction to Engineering Services of \$57,000 or 7.5%.
- *Other Materials* – The budget includes \$6.7 million for Other Materials, a decrease of \$160,000 or 2.3% from the FY20 Budget. The reduction is driven by a drop in computer hardware and software purchases of \$417,000 or 35.5%. This is partially offset by increases to Other Materials of \$159,000 or 58.5% driven by quantity and price increases for Clinton landfill gravel, and Lab and Testing Supplies of \$81,000 or 7.7% due to increased demand for PFAS testing.
- *Other Services* – The budget includes \$25.0 million for Other Services, an increase of \$300,000 or 1.2% from the FY20 Budget. The budget includes funding of \$14.5 million for Sludge Pelletization, \$4.2 million for Space/Lease Rentals and related lease cost for the Charlestown Navy Yard, and Chelsea Facility, \$1.9 million for Voice and Data costs, \$1.3 million for Grit and Screenings removal, and \$1.3 million for Other Services. The overall increase is driven by Grit and Screenings Removal which

increased by \$185,000 or 17.2% from the FY20 Budget due to by price increases, and Space/Lease Rentals of \$160,000 or 4% due to expected increases.

Indirect Expenses

Indirect Expenses for FY21 total \$57.3 million, an increase of \$6.4 million or 12.5% from the FY20 Budget. Below are the highlights of major changes:

- The budget includes \$3.1 million for Insurance, an increase of \$448,000 or 17.2% from the FY20 Budget. This reflects anticipated premium increases based on current market conditions. Claim payments are based on a 3-year average.
- The budget includes \$26.4 million for the Watershed Management budget, a decrease of \$411,000 or 1.5% below the FY20 Budget. The budget includes \$17.9 million for reimbursement of operating expenses net of revenues, and \$8.5 million for Payment in Lieu of Taxes (PILOT). The budget reduction is driven by a vacancy adjustment to reflect the timing of hiring. The PILOT payments remained flat at \$8.5 million.
- The budget includes \$7.2 million for the Harbor Energy Electric Company (HEEC), an increase of \$2.8 million or 62.9% over the FY20. This increase is due to the new cable placed into service in August 2019 (four months earlier than expected). The budget reflects the latest cost estimates, but the final costs will be determined by the Department of Public Utilities (DPU) once they have completed their review of the project. In FY21, \$1.5 million of Rate Stabilization/HEEC Reserve will be used.
- The budget includes \$1.7 million for Mitigation payments to the City of Quincy and Town of Winthrop in accordance with mitigation agreements, which expire in FY25.
- Funding for the Operating Reserve for FY21 is \$1.8 million. 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 FY21 Draft Final Budget, the required balance is \$45.9 million versus the \$44.0 million required in FY20.
- The budget includes \$11.0 million for the Retirement Fund which is level to planning estimates, but an increase of \$3.7 million or 50.4% over the FY20 budget. The increase reflects the impact of lower than assumed investment returns in 2018 and the reduction of the projected rate of return of the Fund from 7.5% to 7.25%. MWRA's pension fund is at the 89.0% funding level and projected to be fully funded by June 30, 2030. Based on improved investment performance in 2019, staff expect a new approved funding schedule in the coming months that will reflect a lower required amount for FY21. Only the minimum amount required will be paid to the Retirement System. If there is a budgetary surplus based on this lower required amount, it will remain unexpended.
- 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 plan to pay down the pension liability and upon reaching full funding, move to address the OPEB obligation. Based on the latest actuarial evaluation, MWRA's pension fund is at a 89.0% funding level. To maximize the benefits in terms of returns and accounting treatment, an irrevocable OPEB Trust was established with Board approval and funding started on April 23, 2015. The OPEB Trust balance was \$39.1 million as of December 31, 2019. Starting in FY18, GASB 75 is the governing regulation for employee OPEB contributions. The proposed \$6.1 million budget is based on 50% of the contribution determined in the January 1, 2018 actuarial report.

Capital Financing

As a result of the Authority's Capital Improvement Program, capital financing as a percent of total expenses (before offsets) has increased from 36% in 1990 to 60.9% in FY21. Much of the capital financing expenses are for debt service for completed projects, primarily the Boston Harbor Project and the Integrated Water Supply Improvement Program. The MWRA's capital spending, from its inception, had been dominated by projects mandated by court ordered or regulatory requirements, which in total have accounted for ~80% of capital spending to date. Going forward, the majority of spending will be focused on asset protection and water system 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 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.

The FY21 Draft Final Budget capital financing costs total \$481.9 million and remain the largest portion of the MWRA's budget.

The FY21 Draft Final Budget includes a planned defeasance of \$30.6 million in late FY20 which will reduce debt service by approximately \$9.4 million in FY21, \$9.6 million in FY22, \$7.6 million in FY23, and \$4.6 million in FY24.

The FY21 Budget assumes a 3.5% interest rate for variable rate debt which is the same as the rate in FY20. 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.

The FY21 Draft Final Budget capital financing costs decreased by \$11.2 million or 2.3% compared to the FY20 Budget. This decrease in the MWRA's debt service is the result of projected FY21 borrowings, the structure of the existing debt, and increased current revenue for capital partially offset by the impact of the defeasance and a reduction in debt prepayment levels as compared to FY20. The FY21 capital financing budget includes:

- \$258.7 million in principal and interest payments on MWRA’s senior fixed rate bonds. This amount includes \$12.4 million to support issuance of \$160 million in FY20-FY21. Also it includes a reduction of \$9.4 million for the effect of the FY20 defeasance;
- \$96.3 million in principal and interest payments on subordinate bonds;
- \$97.8 million in principal and interest payments on SRF loans. This amount includes \$10.6 million to support issuances of \$75.0 million of loans during 2020 and \$65 million in 2021;
- \$16.2 million to fund ongoing capital projects with current revenue;
- \$3.9 million in debt prepayment.
- \$5.7 million to fund the interest expense related to the Local Water Pipeline Assistance Program; and
- \$3.2 million for the Chelsea Lease.

The budget does not include an offset to Debt Service for Debt Service Assistance.

Revenue

FY21 non-rate revenue totals \$22.0 million, which is a decrease of \$8.5 million or 27.9% versus the FY20 Budget. The FY21 non-rate revenue budget includes:

- \$6.1 million in Other Revenue, a increase of \$334,000 or 5.8% from the FY20 Budget. Other Revenue includes \$2.6 million from the sale of the Authority’s Renewable Portfolio Credits, revenue from participating in load response program and sale of generated power to the grid as well as \$2.5 million in TRAC permits and fees. The balance of the Other Revenue is made up of various rebates and fees.
- \$5.2 million in Investment Income, a decrease of \$10.3 million or 66.7% from the FY20 Budget, reflecting lower interest rate assumptions. The short-term interest rate assumption is at 0.25% which is 200 basis points below the FY20 Budget level.
- \$9.2 million in Other User Charges, including \$5.3 million for the Chicopee Valley Aqueduct (CVA) communities, \$2.0 million for Deer Island water usage, \$208,000 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 \$8,000 or 0.1% less than the FY20 Budget.

The Rate Revenue Requirement for FY21 is \$769.4 million, an increase \$7.6 million or 1.0% over the FY20 Budget. The Rate Revenue Requirement is the difference between total expenses of \$791.4 million, less non-rate revenue of \$22.0 million.

Planning Estimates and Future Rate Projections

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. In FY14 the Authority tightened certain planning estimate assumptions such as inflation on direct expenses and limiting the annual capital improvement spending.

Table 3 below presents the combined estimated future rate increases and household charges based on the Draft Final FY21 Budget. The planning estimates shown below assume no Debt Service Assistance from the Commonwealth and does assume use of Rate Stabilization and Bond Redemption reserves from FY21-FY23.

Table 3

Rates & Budget Projections					
FY21 CEB	FY2021	FY2022	FY2023	FY2024	FY2025
Total Rate Revenue (\$000)	\$ 769,385	\$ 797,078	\$ 825,556	\$ 854,977	\$ 882,738
Rate Revenue Change from Prior Year (\$000)	\$ 7,618	\$ 27,693	\$ 28,478	\$ 29,422	\$ 27,760
Rate Revenue Increase	1.0%	3.6%	3.6%	3.6%	3.2%
Use of Reserves (\$000)	\$ 1,500	\$ 2,000	\$ 2,000	\$ -	\$ -

Estimated Household Bill

Based on annual water usage of 61,000 gallons	\$1,218	\$1,272	\$1,328	\$1,386	\$1,446
Based on annual water usage of 90,000 gallons	\$1,797	\$1,876	\$1,959	\$2,046	\$2,134

CEB Review and Adoption Process

In February, the MWRA transmitted the Proposed FY21 Budget to the Advisory Board for its review and comments. Due to the Coronavirus Pandemic, MWRA staff have worked closely with MWRA Advisory Board staff in an effort to review the budget and reduce the rate revenue requirement from 3.63% in the FY21 Proposed Budget to 1.00% in the FY21 Draft Final Budget.

ATTACHMENTS:

- Attachment A FY21 Draft Final Budget vs. FY21 Proposed Budget vs. FY20 Approved Budget
- Attachment B FY20 Final Operating Budget (Trustee’s Budget)

ATTACHMENT A

TOTAL MWRA	FY20 Approved Budget	FY21 Proposed Budget	FY21 Draft Final Budget	Change FY21 Draft Final vs. FY20 Approved		Change FY21 Draft Final vs. FY21 Proposed		
				\$	%	\$	%	
EXPENSES								
WAGES AND SALARIES	\$ 109,953,483	\$ 113,673,999	\$ 112,919,298	\$ 2,965,815	2.70%	\$ (754,701)	-0.66%	
OVERTIME	4,898,965	5,079,296	5,019,295	120,330	2.46%	(60,001)	-1.18%	
FRINGE BENEFITS	21,717,533	22,492,274	22,402,224	684,691	3.15%	(90,050)	-0.40%	
WORKERS' COMPENSATION	2,354,256	2,476,655	2,476,655	122,399	5.20%	-	0.00%	
CHEMICALS	11,811,222	12,182,677	12,091,255	280,033	2.37%	(91,422)	-0.75%	
ENERGY AND UTILITIES	24,454,796	25,541,081	24,200,845	(253,951)	-1.04%	(1,340,236)	-5.25%	
MAINTENANCE	32,726,954	32,618,569	32,618,571	(108,383)	-0.33%	2	0.00%	
TRAINING AND MEETINGS	504,394	505,264	405,264	(99,130)	-19.65%	(100,001)	-19.79%	
PROFESSIONAL SERVICES	8,295,315	8,377,283	8,377,283	81,968	0.99%	-	0.00%	
OTHER MATERIALS	6,867,239	7,091,071	6,706,916	(160,323)	-2.33%	(384,155)	-5.42%	
OTHER SERVICES	24,683,370	24,975,119	24,983,777	300,407	1.22%	8,658	0.03%	
TOTAL DIRECT EXPENSES	\$ 248,267,527	\$ 255,013,288	\$ 252,201,383	\$ 3,933,855	1.58%	\$ (2,811,905)	-1.10%	
INSURANCE	\$ 2,611,222	\$ 3,059,218	\$ 3,059,218	\$ 447,996	17.16%	\$ -	0.00%	
WATERSHED/PILOT/DEBT	26,833,600	26,331,209	26,422,138	(411,462)	-1.53%	90,929	0.35%	
HEEC PAYMENT	4,429,316	7,215,200	7,215,200	2,785,884	62.90%	-	0.00%	
MITIGATION	1,654,618	1,692,344	1,692,344	37,726	2.28%	-	0.00%	
ADDITIONS TO RESERVES	2,094,284	2,283,728	1,815,077	(279,207)	-13.33%	(468,651)	-20.52%	
RETIREMENT FUND	7,315,000	11,000,000	11,000,000	3,685,000	50.38%	-	0.00%	
POSTEMPLOYMENT BENEFITS	5,962,457	6,065,490	6,065,490	103,033	1.73%	-	0.00%	
TOTAL INDIRECT EXPENSES	\$ 50,900,497	\$ 57,647,189	\$ 57,269,467	\$ 6,368,970	12.51%	\$ (377,722)	-0.66%	
STATE REVOLVING FUND	\$ 92,797,295	\$ 97,811,162	\$ 97,811,162	\$ 5,013,867	5.40%	\$ -	0.00%	
SENIOR DEBT	202,299,609	273,795,833	258,730,904	56,431,295	27.89%	(15,064,929)	-5.50%	
SUBORDINATE DEBT	169,609,844	96,339,599	96,339,599	(73,270,245)	-43.20%	-	0.00%	
LOCAL WATER PIPELINE CP	5,846,827	5,686,864	5,686,864	(159,963)	-2.74%	-	0.00%	
CURRENT REVENUE/CAPITAL	15,200,000	16,200,000	16,200,000	1,000,000	6.58%	-	0.00%	
CAPITAL LEASE	3,217,060	3,217,060	3,217,060	-	0.00%	-	0.00%	
DEBT PREPAYMENT	5,000,000	10,961,000	3,900,000	(1,100,000)	-22.00%	(7,061,000)	-64.42%	
DEBT SERVICE ASSISTANCE	(890,239)	-	-	890,239	-100.00%	-	0.00%	
TOTAL DEBT SERVICE	\$ 493,080,395	\$ 504,011,517	\$ 481,885,588	\$ (11,194,807)	-2.27%	\$ (22,125,929)	-4.39%	
TOTAL EXPENSES	\$ 792,248,420	\$ 816,671,994	\$ 791,356,438	\$ (891,982)	-0.11%	\$ (25,315,557)	-3.10%	
REVENUE & INCOME								
RATE REVENUE	\$ 761,767,000	\$ 789,386,000	\$ 769,385,000	\$ 7,618,000	1.00%	\$ (20,001,000)	-2.53%	
OTHER USER CHARGES	9,216,425	9,188,728	9,208,367	(8,058)	-0.09%	19,638	0.21%	
OTHER REVENUE	5,761,022	5,935,482	6,095,403	334,381	5.80%	159,921	2.69%	
RATE STABILIZATION/HEEC RESERVE	-	-	1,500,000	1,500,000	100.00%	1,500,000	100.00%	
INVESTMENT INCOME	15,503,973	12,161,784	5,167,668	(10,336,305)	-66.67%	(6,994,116)	-57.51%	
TOTAL REVENUE & INCOME	\$ 792,248,420	\$ 816,671,994	\$ 791,356,438	\$ (891,982)	-0.11%	\$ (25,315,557)	-3.10%	
Rate Revenue Increase over FY20		3.63%	1.00%					

ATTACHMENT B


**Massachusetts Water Resources Authority
Fiscal Year 2021 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	\$21,633	\$27,042	\$21,633	\$21,633	\$27,042	\$21,633	\$21,633	\$27,042	\$21,633	\$21,633	\$27,042	\$21,633	\$281,234
Debt Service & Coverage	37,068	46,335	37,068	37,068	46,335	37,068	37,068	46,335	37,068	37,068	46,335	37,068	481,886
Debt Service Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
CORE	---	---	---	---	---	---	---	---	---	---	---	---	0
Commonwealth Obligations	---	---	4,481	---	---	4,481	---	---	12,981	---	---	4,481	26,422
Operating Reserve	140	175	140	140	175	140	140	175	140	140	175	140	1,815
Insurance Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
Renewal & Replacement Reserve	---	---	---	---	---	---	---	---	---	---	---	---	0
Rate Stabilization Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	<u>\$58,841</u>	<u>\$73,551</u>	<u>\$63,322</u>	<u>\$58,841</u>	<u>\$73,551</u>	<u>\$63,322</u>	<u>\$58,841</u>	<u>\$73,551</u>	<u>\$71,822</u>	<u>\$58,841</u>	<u>\$73,551</u>	<u>\$63,322</u>	<u>\$791,356</u>

STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: May 6, 2020
SUBJECT: Final FY21 Water and Sewer Assessments

COMMITTEE: Administration, Finance & Audit

 INFORMATION
 X VOTE

Michael Cole, Budget Director
Leo Norton, Asst. Mgr. Rates, Revenue and Finance
Preparer/Title


Thomas J. Durkin
Director of Finance

The Proposed FY21 Current Expense Budget (CEB) was submitted to the Advisory Board at the February 2020 Board meeting and included a 3.63% combined assessment increase.

As a result of the economic impacts of the Coronavirus Pandemic, MWRA and Advisory Board staff have undertaken several initiatives to provide financial relief to MWRA's member communities. One of those initiatives has been to reduce the combined assessment increase of 3.63% in the FY21 Proposed Budget to 1.00% in the FY21 Draft Final Budget.

Consistent with the FY21 Draft Final Budget, the combined assessment increase is 1.00%, and includes a 0.34% decrease for sewer assessments, and a 3.60% increase for water assessments.

RECOMMENDATION:

To adopt the following effective July 1, 2020:

- 1) Water system assessments of \$268,071,397 and sewer system assessments of \$501,313,603 for FY21.
- 2) FY21 sewer assessments of \$500,000 for the Town of Clinton and \$433,771 for the Lancaster Sewer District.
- 3) FY21 charge to the City of Worcester of \$214,711 representing approximately 7.9% of the direct operating expenses for the Clinton Wastewater Treatment Plant.
- 4) FY21 water assessments of \$3,707,406 for the City of Chicopee, \$766,608 for South Hadley Fire District #1, and \$808,343 for the Town of Wilbraham.
- 5) A wholesale water rate of \$4,320.63 per million gallons.
- 6) A retail sewer rate of \$7,788.00 per million gallons.

DISCUSSION:

The Draft Final FY21 Current Expense Budget includes a Rate Revenue Requirement of \$769,385,000, an increase of 1.0% over the FY20 requirement.

	FY21 Draft Final	FY20 Approved	Change from FY20	
			Dollars	Percent
Water	\$268,071,397	\$258,751,692	\$ 9,319,705	3.60%
Sewer	\$501,313,603	\$503,015,308	(\$ 1,701,705)	-0.34%
Total	\$769,385,000	\$761,767,000	\$ 7,618,000	1.00%

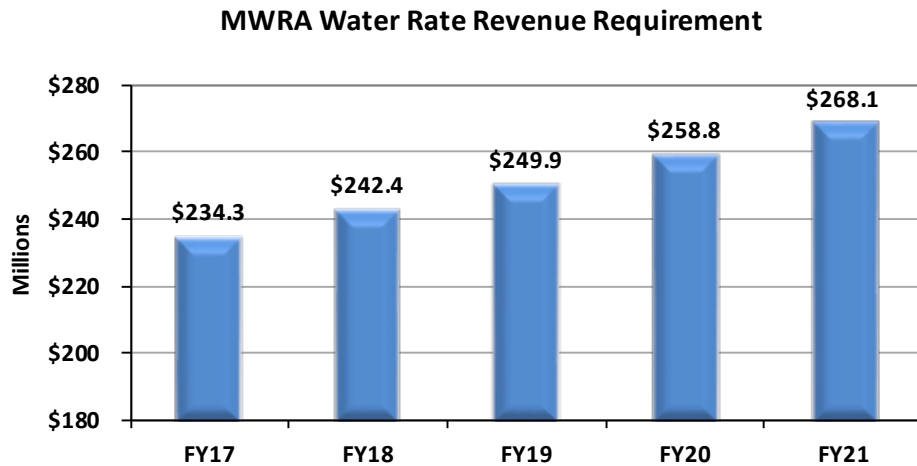
Attachment 1 summarizes FY21 wholesale water and sewer charges for each MWRA community.

The estimated annual impact of the FY21 assessment increase on the MWRA portion of the average household bill for water and sewer service in a fully served MWRA community that uses close to the system average of 61,000 gallons of water per year is approximately \$8.

Water Assessments

MWRA calculates water assessments for customer communities by apportioning the water rate revenue requirement according to each community’s share of total water use for the most recent calendar year. FY21 water assessments are based on each community's share of CY19 water use of 62.045 billion gallons, a 3.6% decrease compared to CY18 water use of 64.343 billion gallons. Changes in FY21 water assessments for customer communities compared to FY20 assessments will vary considerably, depending on each community's use of water and how that use factors into their share of the water system in CY19 compared to CY18. This is particularly true for communities that receive only part of their water from MWRA.

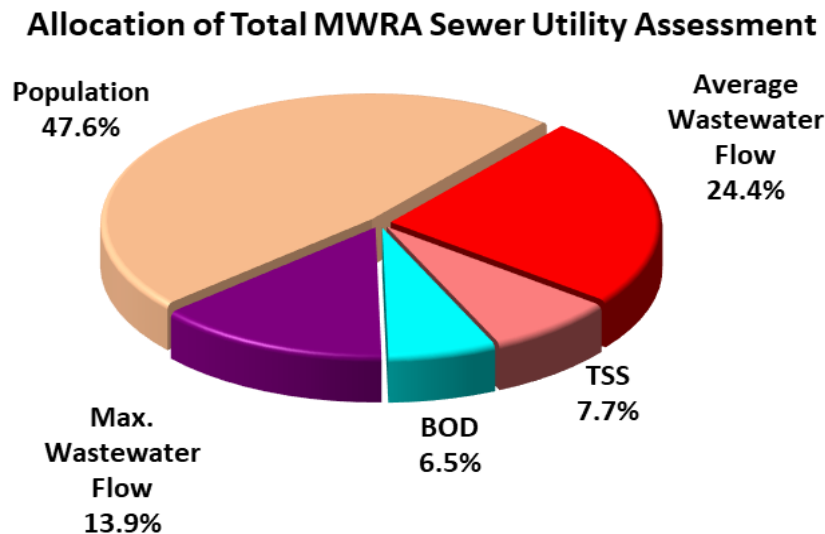
The graph below illustrates the water Rate Revenue Requirement for the past 5 years. The changes from FY20 to FY21 are primarily the result of increased debt service related to water system rehabilitation and improvements.



Sewer Assessments

MWRA allocates sewer assessments based on each community's share of the following allocation parameters: annual wastewater flow, maximum month flow, strength of flow, census population, and sewer population.

On average, approximately 52% of a community's FY21 sewer assessment is based on each community's share of wastewater flow and strength of flow (total suspended solids or TSS and biochemical oxygen demand or BOD), and approximately 48% is based on population as illustrated in the next graph.

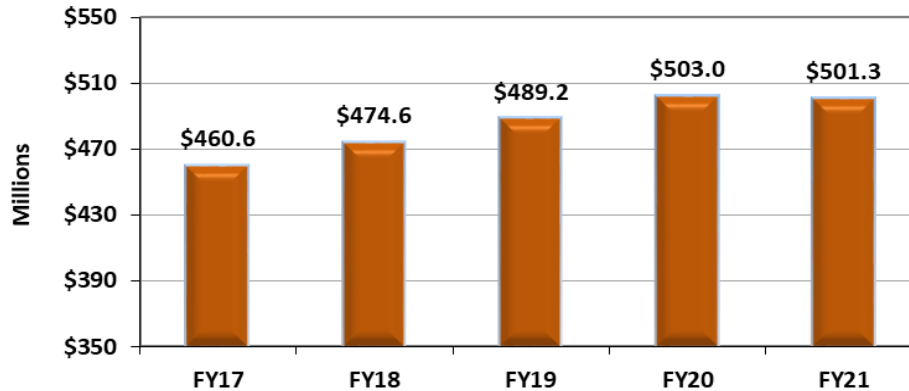


The population component of the FY21 assessments were calculated using the most recent (July 2018) community population estimates from the U.S. Census Bureau, as well as the percentage of total population receiving municipal sewer service as reported by each MWRA community.

The flow component of the FY21 assessments were calculated using the average of CY17, CY18 and CY19 wastewater flows and strength of flows.

The following graph illustrates the sewer Rate Revenue Requirement for the past 5 years. As with the water utility, the annual changes continue to be primarily the result of increased debt service related to system rehabilitation and improvements.

MWRA Sewer Rate Revenue Requirement



Water and Sewer Flow Data

The potential need for an adjustment to Somerville’s CY19 water flows discussed in the February preliminary assessment staff summary has not been resolved at this time. Staff in Somerville and MWRA continue to investigate possible reasons for the apparent discrepancy in flow numbers. In addition, due in part to reductions in field work resulting from MWRA and contractor adjustments for pandemic safety, there are a number of sewer meters in various communities which may require flow adjustments after the final budget is approved. Staff will use MWRA’s established processes for retroactive adjustments and any necessary changes will be reflected in FY22 assessments.

Clinton Sewer Service Area Assessments

FY21 operating and maintenance (O&M) and capital expenses attributable to the Clinton Wastewater Treatment Plant are \$4,677,742, an increase of 3.6% over FY20 expenses. This includes a 2.3% increase in operating costs, and a 7.1% increase in capital expenses related primarily to the landfill cell #1 closure, digester cover replacement, and valve and screw pump replacement projects.

In accordance with the agreement that allows the City of Worcester to take water from the Wachusett watershed, Worcester is charged approximately 7.9% of the direct operating expenses for the Clinton Wastewater Treatment Plant. FY21 direct operating expenses for the plant total \$2,714,083, resulting in an FY21 charge of \$214,711 for the City of Worcester. Worcester has been paying this annual charge to MWRA or its predecessors since 1914.

The Town of Clinton and the Lancaster Sewer District are allocated proportional shares of the remaining expenses based on annual metered wastewater flow to the Clinton Plant. Based on FY21 expenses and CY19 wastewater flows, Lancaster’s FY21 charge is \$433,771, an increase of 15.4% from the FY20 charge of \$375,767.

The FY21 charge for the Town of Clinton is \$4,042,330. However, pursuant to Chapter 307, Section 8 of the Acts of 1987, Clinton is only liable for the first \$500,000 of its share of O&M and capital costs.

Attachment 2 details the expenses and corresponding charges for the Clinton Sewer Service Area.

CVA Water Assessments

Based on the Draft Final FY21 CIP and CEB for the Chicopee Valley Aqueduct (CVA) water system, the FY21 system assessment is \$5,282,357, an increase of 2.6% from FY20 assessments.

MWRA's CVA water assessment methodology allocates CVA assessments to the three communities served by the CVA system based on their share of prior calendar year water use. Based on CY19 water use, FY21 assessments are as follows:

- City of Chicopee: \$3,707,406 (+2.8%)
- South Hadley Fire District #1: \$ 766,608 (+5.9%)
- Town of Wilbraham: \$ 808,343 (-1.2%)

As with the metropolitan water system, changes in FY21 water assessments for each CVA community compared to FY20 assessments vary depending on their water use and how that use factors into their share of the CVA water system in CY19 compared to CY18.

Attachment 3 details the expenses and corresponding assessments for the CVA Water Service Area.

Wholesale Water Rate

MWRA's wholesale water rate per million gallons is applied to customers purchasing MWRA water on a pay-as-you-go basis (including customers with emergency agreements). The wholesale water rate for FY21 is \$4,320.63 per million gallons. The FY21 CEB includes revenue of \$140,293 from these customers.

Retail Sewer Rate

MWRA provides direct retail sewer service to Regis College in Weston and the New England Center for Children in Southborough. In accordance with MWRA Policy #OP.11, "Admission of New Community to MWRA Sewer System and Other Requests for Sewer Service to Locations Outside MWRA Sewer Service Area", both entities are charged a modified per million gallon "retail" rate that captures both sanitary and non-sanitary flows. Based on FY21 sewer assessments, the FY21 retail sewer rate will be \$7,788.00 per million gallons. The Draft Final FY21 CEB includes revenue of \$101,135 from these customers.

ATTACHMENTS:

1. FY21 Water and Sewer Assessments
2. Clinton Wastewater Treatment Plant Sewer User Charge Determination
3. Chicopee Valley Aqueduct System Assessment

MWRA Fully Served Water and Sewer Customers	Final FY20 Water Assessment	Final FY21 Water Assessment	Percent Change from FY20	Final FY20 Sewer Assessment	Final FY21 Sewer Assessment	Percent Change from FY20	Final FY20 Combined Assessment	Final FY21 Combined Assessment	Dollar Change from FY20	Percent Change from FY20
ARLINGTON	5,428,333	5,627,090	3.7%	8,921,155	8,872,540	-0.5%	\$14,349,488	\$14,499,630	\$150,142	1.0%
BELMONT	3,001,852	3,040,437	1.3%	5,321,061	5,332,639	0.2%	8,322,913	8,373,076	50,163	0.6%
BOSTON (BWSC)	93,413,175	97,981,545	4.9%	145,875,583	145,976,286	0.1%	239,288,758	243,957,831	4,669,073	2.0%
BROOKLINE	7,300,560	7,543,434	3.3%	13,202,213	13,249,272	0.4%	20,502,773	20,792,706	289,933	1.4%
CHELSEA	4,939,423	5,158,804	4.4%	8,626,321	8,585,318	-0.5%	13,565,744	13,744,122	178,378	1.3%
EVERETT	5,543,676	5,958,067	7.5%	9,310,473	9,529,946	2.4%	14,854,149	15,488,013	633,864	4.3%
FRAMINGHAM	8,448,119	8,834,401	4.6%	13,569,073	13,209,393	-2.7%	22,017,192	22,043,794	26,602	0.1%
LEXINGTON	7,413,364	8,006,399	8.0%	7,851,947	7,922,359	0.9%	15,265,311	15,928,758	663,447	4.3%
MALDEN	7,552,824	7,980,333	5.7%	13,705,355	13,376,032	-2.4%	21,258,179	21,356,365	98,186	0.5%
MEDFORD	6,542,736	6,872,249	5.0%	12,493,747	12,312,099	-1.5%	19,036,483	19,184,348	147,865	0.8%
MELROSE	2,977,071	3,105,038	4.3%	6,723,984	6,642,072	-1.2%	9,701,055	9,747,110	46,055	0.5%
MILTON	3,508,765	3,524,251	0.4%	5,736,340	5,780,577	0.8%	9,245,105	9,304,828	59,723	0.6%
NEWTON	12,721,936	13,532,097	6.4%	22,443,151	21,895,848	-2.4%	35,165,087	35,427,945	262,858	0.7%
NORWOOD	3,963,726	4,246,016	7.1%	8,171,535	8,188,530	0.2%	12,135,261	12,434,546	299,285	2.5%
QUINCY	11,714,243	12,401,474	5.9%	21,091,455	20,972,691	-0.6%	32,805,698	33,374,165	568,467	1.7%
READING	2,370,637	2,399,752	1.2%	5,377,793	5,250,778	-2.4%	7,748,430	7,650,530	(97,900)	-1.3%
REVERE	5,262,364	5,591,863	6.3%	10,896,609	10,748,405	-1.4%	16,158,973	16,340,268	181,295	1.1%
SOMERVILLE	8,240,009	8,711,112	5.7%	17,492,310	16,822,763	-3.8%	25,732,319	25,533,875	(198,444)	-0.8%
STONEHAM	3,019,242	2,870,605	-4.9%	4,812,709	4,988,619	3.7%	7,831,951	7,859,224	27,273	0.3%
WALTHAM	9,621,955	10,046,663	4.4%	13,961,534	13,972,854	0.1%	23,583,489	24,019,517	436,028	1.8%
WATERTOWN	3,898,438	3,935,832	1.0%	6,729,234	6,648,177	-1.2%	10,627,672	10,584,009	(43,663)	-0.4%
WINTHROP	1,848,357	1,958,437	6.0%	3,718,688	3,714,891	-0.1%	5,567,045	5,673,328	106,283	1.9%
TOTAL	\$218,730,805	\$229,325,899	4.8%	\$366,032,270	\$363,992,089	-0.6%	\$584,763,075	\$593,317,988	\$8,554,913	1.5%

MWRA Sewer and Partial Water Customers	Final FY20 Water Assessment	Final FY21 Water Assessment	Percent Change from FY20	Final FY20 Sewer Assessment	Final FY21 Sewer Assessment	Percent Change from FY20	Final FY20 Combined Assessment	Final FY21 Combined Assessment	Dollar Change from FY20	Percent Change from FY20
CANTON	2,136,764	1,626,637	-23.9%	4,620,738	4,599,635	-0.5%	\$6,757,502	\$6,226,272	(\$531,230)	-7.9%
NEEDHAM	1,412,709	1,122,902	-20.5%	6,399,114	6,399,895	0.0%	7,811,823	7,522,797	(289,026)	-3.7%
STOUGHTON	146,695	141,002	-3.9%	5,240,340	5,226,978	-0.3%	5,387,035	5,367,980	(19,055)	-0.4%
WAKEFIELD	2,581,082	2,874,557	11.4%	6,585,727	6,577,299	-0.1%	9,166,809	9,451,856	285,047	3.1%
WELLESLEY	1,476,827	1,835,381	24.3%	5,933,569	5,955,781	0.4%	7,410,396	7,791,162	380,766	5.1%
WILMINGTON	732,142	599,456	-18.1%	2,987,771	2,953,524	-1.1%	3,719,913	3,552,980	(166,933)	-4.5%
WINCHESTER	1,732,283	1,835,487	6.0%	4,458,416	4,440,715	-0.4%	6,190,699	6,276,202	85,503	1.4%
WOBURN	4,119,106	4,199,480	2.0%	9,475,387	9,434,265	-0.4%	13,594,493	13,633,745	39,252	0.3%
TOTAL	\$14,337,608	\$14,234,902	-0.7%	\$45,701,062	45,588,092	-0.2%	\$60,038,670	\$59,822,994	(\$215,676)	-0.4%

MWRA Sewer-only Customers	Final FY20 Water Assessment	Final FY21 Water Assessment	Percent Change from FY20	Final FY20 Sewer Assessment	Final FY21 Sewer Assessment	Percent Change from FY20	Final FY20 Combined Assessment	Final FY21 Combined Assessment	Dollar Change from FY20	Percent Change from FY20
ASHLAND				2,747,924	2,675,100	-2.7%	\$2,747,924	\$2,675,100	(\$72,824)	-2.7%
BEDFORD				3,630,690	3,563,964	-1.8%	3,630,690	3,563,964	(66,726)	-1.8%
BRAINTREE				9,896,915	10,046,123	1.5%	9,896,915	10,046,123	149,208	1.5%
BURLINGTON				5,815,487	5,969,600	2.7%	5,815,487	5,969,600	154,113	2.7%
CAMBRIDGE				26,400,678	26,630,300	0.9%	26,400,678	26,630,300	229,622	0.9%
DEDHAM				5,860,551	5,877,037	0.3%	5,860,551	5,877,037	16,486	0.3%
HINGHAM SEWER DISTRICT				1,937,252	2,005,219	3.5%	1,937,252	2,005,219	67,967	3.5%
HOLBROOK				1,857,144	1,816,238	-2.2%	1,857,144	1,816,238	(40,906)	-2.2%
NATICK				6,044,147	5,916,657	-2.1%	6,044,147	5,916,657	(127,490)	-2.1%
RANDOLPH				6,747,779	6,743,289	-0.1%	6,747,779	6,743,289	(4,490)	-0.1%
WALPOLE				4,096,111	4,125,676	0.7%	4,096,111	4,125,676	29,565	0.7%
WESTWOOD				3,161,944	3,121,245	-1.3%	3,161,944	3,121,245	(40,699)	-1.3%
WEYMOUTH				13,085,354	13,242,974	1.2%	13,085,354	13,242,974	157,620	1.2%
TOTAL				\$91,281,976	\$91,733,422	0.5%	\$91,281,976	\$91,733,422	\$451,446	0.5%

MWRA Water-only Customers	Final FY20 Water Assessment	Final FY21 Water Assessment	Percent Change from FY20	Final FY20 Sewer Assessment	Final FY21 Sewer Assessment	Percent Change from FY20	Final FY20 Combined Assessment	Final FY21 Combined Assessment	Dollar Change from FY20	Percent Change from FY20
LYNNFIELD WATER DISTRICT	801,241	764,867	-4.5%				\$801,241	\$764,867	(\$36,374)	-4.5%
MARBLEHEAD	2,576,446	2,664,131	3.4%				2,576,446	2,664,131	87,685	3.4%
NAHANT	457,313	514,383	12.5%				457,313	514,383	57,070	12.5%
SAUGUS	4,221,536	4,465,635	5.8%				4,221,536	4,465,635	244,099	5.8%
SOUTHBOROUGH	927,672	1,003,016	8.1%				927,672	1,003,016	75,344	8.1%
SWAMPSCOTT	2,161,811	2,342,440	8.4%				2,161,811	2,342,440	180,629	8.4%
WESTON	2,413,951	2,395,031	-0.8%				2,413,951	2,395,031	(18,920)	-0.8%
TOTAL	\$13,559,970	\$14,149,503	4.3%				\$13,559,970	\$14,149,503	\$589,533	4.3%

MWRA Partial Water-only Customers	Final FY20 Water Assessment	Final FY21 Water Assessment	Percent Change from FY20	Final FY20 Sewer Assessment	Final FY21 Sewer Assessment	Percent Change from FY20	Final FY20 Combined Assessment	Final FY21 Combined Assessment	Dollar Change from FY20	Percent Change from FY20
DEDHAM-WESTWOOD WATER DISTRICT	181,946.00	1,037,861.00	470.4%				\$181,946	\$1,037,861	\$855,915	470.4%
LYNN (LWSC)	392,593	396,099	0.9%				392,593	396,099	3,506	0.9%
MARLBOROUGH	5,875,229	6,194,747	5.4%				5,875,229	6,194,747	319,518	5.4%
NORTHBOROUGH	1,312,711	1,422,346	8.4%				1,312,711	1,422,346	109,635	8.4%
PEABODY	4,360,830	1,310,040	-70.0%				4,360,830	1,310,040	(3,050,790)	-70.0%
TOTAL	\$12,123,309	\$10,361,093	-14.5%				\$12,123,309	\$10,361,093	(\$1,762,216)	-14.5%
SYSTEMS TOTAL	\$258,751,692	\$268,071,397	3.6%	\$503,015,308	\$501,313,603	-0.3%	\$761,767,000	\$769,385,000	\$7,618,000	1.0%

Massachusetts Water Resources Authority
Clinton Wastewater Treatment Plant
Sewer User Charge Determination

BUDGETED EXPENSES: Draft Final FY21	
Clinton Direct Operating Expenses:	\$2,714,083
MWRA Support Allocation:	648,211
Subtotal O&M Expenses:	\$3,362,294
Total Debt Service Expenses:	\$1,315,448
Total Clinton Service Area Expenses	\$4,677,742
Less Revenue (City of Worcester Payment)	-214,711
Clinton WWTP Rate Revenue Requirement:	\$4,463,032

WASTEWATER FLOW and FLOW SHARES:	CY2019		
	Town of Clinton Flow	Lancaster Sewer District Flow	Total Wastewater Flow
Average Daily Flow (MGD)	2.339	0.243	2.583
Average Flow (MG/YR)	853.904	88.869	942.773
Proportional Share of Flow	90.57%	9.43%	100.0%

Sewer User Charge Determination

TOWN OF CLINTON	
O&M Expenses	\$3,362,294
Less Revenue (City of Worcester Payment)	-214,711
O&M Expenses to be Recovered	\$3,147,584
Clinton's Share of Flow	90.57%
Clinton's Share of O&M Costs	\$2,850,881

LANCASTER SEWER DISTRICT	
O&M Expenses	\$3,362,294
Less Revenue (City of Worcester Payment)	-214,711
O&M Expenses to be Recovered	\$3,147,584
Lancaster's Share of Flow	9.43%
Lancaster's Share of O&M Costs	\$296,702

Total Clinton O&M Charge	\$2,850,881
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Total Lancaster Sewer District O&M Charge	\$296,702
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Debt Service Costs to be Recovered	\$1,315,448
Clinton's Share of Wastewater Flow	90.57%

Debt Service Costs to be Recovered	\$1,315,448
Lancaster's Share of Wastewater Flow	9.43%

Total Clinton Debt Service Charge	\$1,191,449
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Total Lancaster Sewer District Debt Service Charge	\$123,999
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Total Clinton O&M and Debt Service Charge	\$4,042,330
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Total Lancaster O&M and Debt Service Charge	\$420,701
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Less MWRA Water Ratepayer Subsidy	-3,542,330
Billable Charge to the Town of Clinton as per CH. 307, Section 8 The Acts of 1987	\$500,000

Billable Charge to Lancaster Sewer District	\$420,701
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Clinton WWTP Charges and Payment Schedule

Sewer Customer	Billable Charges	Change from Prior Year	
		Amount	Percentage
Town of Clinton (billable)	\$500,000	\$0	0.0%
Lancaster Sewer District (before adj.)	\$420,701		
Lancaster Sewer District (prior yr. adj.)	\$13,070		
Lancaster Sewer District (billable)	\$433,771	\$58,004	15.4%

Total Billable Sewer Use Charges	\$933,771
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City of Worcester	\$214,711	\$208,773	2.8%
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Payment 1 on or before Sept 15, 2020	Payment 2 on or before Nov 15, 2020	Payment 3 on or before Feb 15, 2021	Payment 4 on or before May 15, 2021
\$125,000	\$125,000	\$125,000	\$125,000
\$108,443	\$108,443	\$108,443	\$108,443

\$233,443	\$233,443	\$233,443	\$233,443
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\$0	\$0	\$214,711	\$0
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Massachusetts Water Resources Authority

Chicopee Valley Aqueduct Water System Assessment

FY2021 Budget and Assessments

CVA Operating Budget	FY20	FY21
CVA Cost Center Expenses	\$935,590	\$965,147
Allocated Waterworks Expenses	149,935	152,731
Allocated Watershed/PILOT	495,188	482,312
Allocated Watershed Land Acquisition	27,935	29,675
Allocated MWRA Indirect Expenses	629,553	650,516
SUBTOTAL OPERATING BUDGET	\$2,238,201	\$2,280,381

Change from Prior Year	
Dollars	Percent
\$29,556	3.2%
2,796	1.9%
-12,876	-2.6%
1,740	6.2%
20,963	3.3%
\$42,180	1.9%

CVA Capital Budget	FY20	FY21
Capital Expenses	\$3,064,467	\$3,099,516
TOTAL CVA BUDGET	\$5,302,668	\$5,379,897

Change from Prior Year	
Dollars	Percent
\$35,050	1.1%
\$77,230	1.5%

BASE COMMUNITY ASSESSMENT	FY20 ¹	FY21 ²
Chicopee	\$3,728,618	\$3,776,791
South Hadley Fire District #1	748,587	780,962
Wilbraham	825,463	822,145
CVA BASE SYSTEM ASSESSMENT	\$5,302,668	\$5,379,897

Change from Prior Year	
Dollars	Percent
\$48,173	1.3%
32,374	4.3%
-3,318	-0.4%
\$77,230	1.5%

PRIOR PERIOD ADJUSTMENTS	FY20 ³	FY21 ³
Chicopee	-\$123,896	-\$69,385
South Hadley Fire District #1	-25,004	-14,354
Wilbraham	-7,657	-13,802
TOTAL ADJUSTMENTS	-\$156,557	-\$97,540

Change from Prior Year	
Dollars	Percent
\$54,512	-44.0%
10,650	-42.6%
-6,145	80.3%
\$59,016	-37.7%

ADJUSTED ASSESSMENT	FY20	FY21
Chicopee	\$3,604,721	\$3,707,406
South Hadley Fire District #1	723,584	766,608
Wilbraham	817,806	808,343
ADJUSTED ASSESSMENT	\$5,146,111	\$5,282,357


Change from Prior Year	
Dollars	Percent
\$102,685	2.8%
43,024	5.9%
-9,463	-1.2%
\$136,246	2.65%

¹ Based on CY2018 water use and before prior period adjustments.

² Based on CY2019 water use and before prior period adjustments.

³ Prior period adjustment to account for budget to actual expenses.


STAFF SUMMARY

TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director 
DATE: May 6, 2020
SUBJECT: Application of Debt Service Assistance to Community Assessments

COMMITTEE: Administration, Finance & Audit

VOTE
 INFORMATION

Matthew R. Horan, Deputy Director, Finance/Treasurer
Preparer/Title

Thomas J. Durkin 
Director of Finance

As a result of the economic impacts of the COVID-19 pandemic, MWRA and Advisory Board staff have undertaken several initiatives to provide cash flow relief to MWRA's member communities. Staff are proposing applying the Commonwealth Sewer Rate Relief Funds (Debt Service Assistance) received on May 5, 2020 to reduce the community assessment due on June 1, 2020.

RECOMMENDATION:

To apply the FY20 Commonwealth Sewer Rate Relief Funds to reduce the June 1, 2020 assessments to MWRA's member communities as presented and filed with the records of this meeting.

DISCUSSION:

Annually MWRA applies for funding from the Commonwealth Sewer Rate Relief Fund, also known as Debt Service Assistance. Massachusetts communities that have outstanding debt issued after January 1, 1990 issued for water pollution control facilities are eligible to apply for sewer rate relief. In addition to water pollution control facilities, debt service costs associated with the MetroWest Tunnel and Chicopee Valley Aqueduct are also eligible for funding. Typically 40 to 50 communities receive funding with, MWRA usually representing approximately 80% of the total appropriation.

On May 5, 2020, MWRA received \$891,533 from the Commonwealth Sewer Rate Relief Fund. Staff are proposing utilizing the funding received in the FY20 to reduce the June 1, 2020 assessment to eligible local bodies as outlined on Attachment A to this staff summary.

BUDGET/FISCAL IMPACT:

The application of the \$891,533 to reduce the June 1, 2020 assessment will provide relief to member communities without having any impact on MWRA's FY20 CEB.

Attachment A

**Commonwealth Sewer Rate Relief
By
MWRA Community**

<u>Local Body</u>	<u>Total</u>	<u>Local Body</u>	<u>Total</u>
Arlington	\$ 16,014.57	Needham	\$ 10,816.32
Ashland	\$ 4,480.73	Newton	\$ 40,035.60
Bedford	\$ 5,920.16	Northborough	\$ 354.96
Belmont	\$ 9,488.17	Norwood	\$ 14,396.22
Boston Water and Sewer Commission	\$ 263,122.34	Peabody	\$ 1,179.19
Braintree	\$ 16,137.78	Quincy	\$ 37,559.06
Brookline	\$ 23,501.47	Randolph	\$ 11,002.84
Burlington	\$ 9,482.66	Reading	\$ 9,410.00
Cambridge	\$ 43,048.61	Revere	\$ 19,190.85
Canton	\$ 8,112.31	Saugus	\$ 1,141.53
Chelsea	\$ 15,401.62	Somerville	\$ 30,750.89
Chicopee	\$ 957.80	South Hadley Fire District No.1	\$ 192.09
Dedham	\$ 9,556.14	Southborough	\$ 250.85
Dedham-Westwood Water District	\$ 49.20	Stoneham	\$ 8,663.96
Everett	\$ 16,680.58	Stoughton	\$ 8,584.50
Framingham	\$ 24,409.98	Swampscott	\$ 584.57
Hingham Sewer District	\$ 3,158.86	Wakefield	\$ 11,436.54
Holbrook	\$ 3,028.23	Walpole	\$ 6,679.07
Leominster	\$ -	Waltham	\$ 25,367.33
Lexington	\$ 14,807.90	Watertown	\$ 12,026.76
Lynn Water & Sewer Commission	\$ 106.16	Wellesley	\$ 10,074.55
Lynnfield Water District	\$ 216.66	Weston	\$ 652.75
Malden	\$ 24,390.11	Westwood	\$ 5,155.82
Marblehead	\$ 696.69	Weymouth	\$ 21,336.81
Marlborough	\$ 1,588.70	Wilburham	\$ 204.78
Medford	\$ 22,141.34	Wilmington	\$ 5,069.80
Melrose	\$ 11,769.06	Winchester	\$ 7,738.26
Milton	\$ 10,302.39	Winthrop	\$ 6,563.45
Nahant	\$ 123.66	Woburn	\$ 16,564.28
Natick	\$ 9,855.51	Total	\$ 891,533.00