



**MWRA Fiscal Year 2020
Proposed
Budget**

April 23, 2019



Rates Management Strategy

Sustainable and Predictable Assessments

Multi-Year Approach

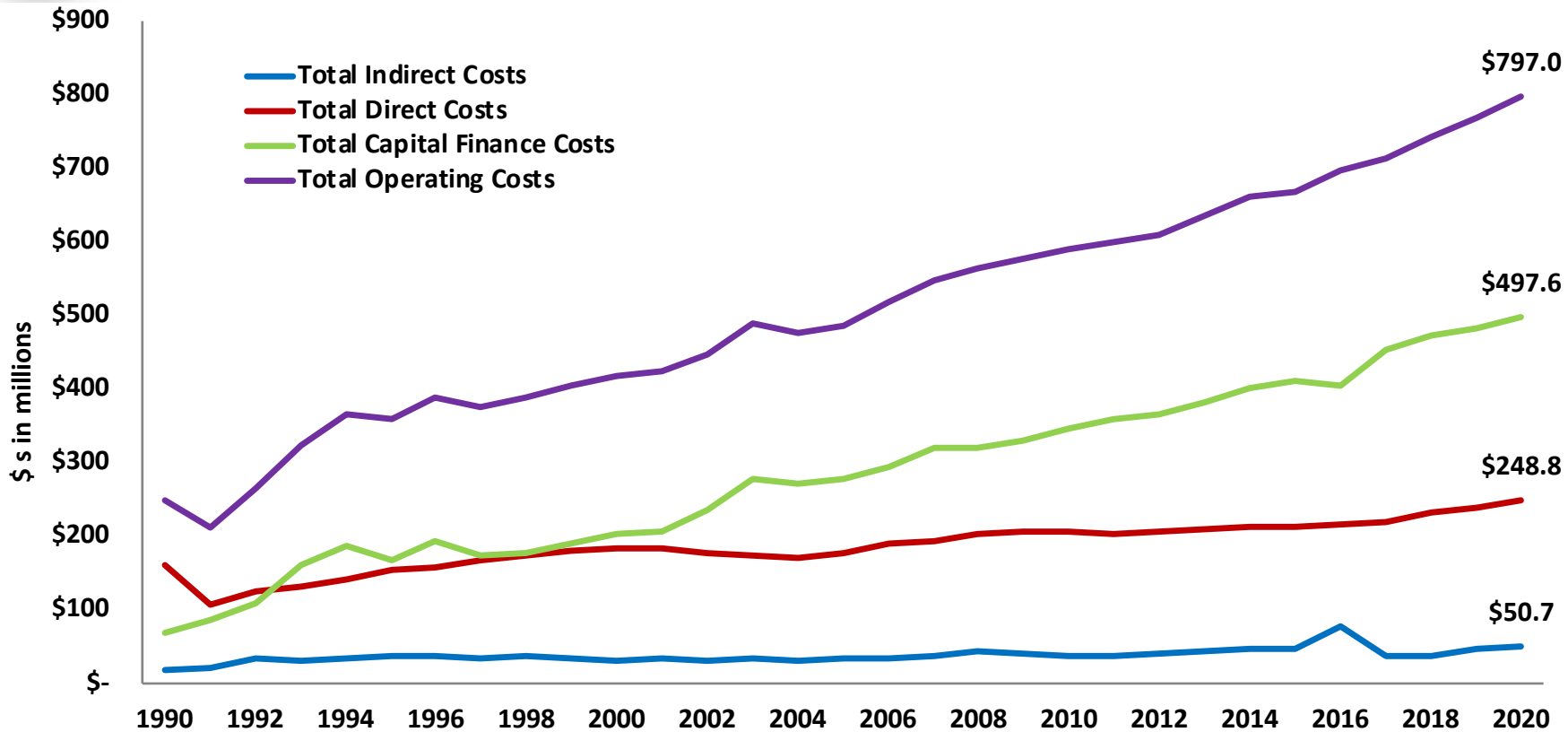


Budget Drivers For Multi-Year Planning

- Capital Finance Expenses
- Existing Expenses and Revenue – Inflation, Changes
- Long-Term Liabilities



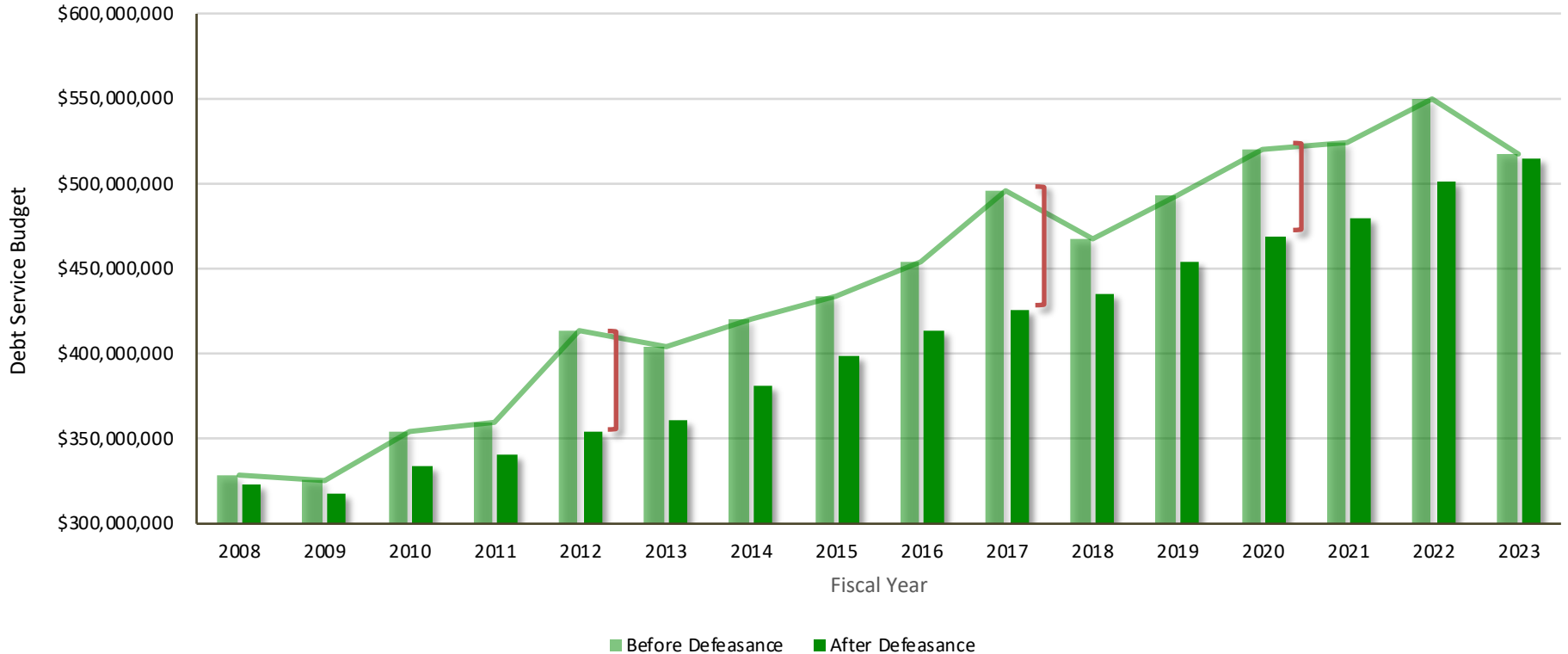
Historical Budgeted Spending





Defeasance Strategy

Before and After Defeasance





Expense Changes - HEEC

	FY19	FY20	FY21	FY22	FY23	FY24
Projected HEEC Expense <i>Net of \$6.5 reserve</i>	\$1.4	\$4.4	\$5.2	\$6.3	\$6.4	\$6.7

Amounts in millions



Long-Term Liabilities

Pension Funding Schedule	FY19	FY20	FY21	FY22	FY23	FY24
	\$7.0	\$7.3	\$7.6	\$8.0	\$8.3	\$8.7

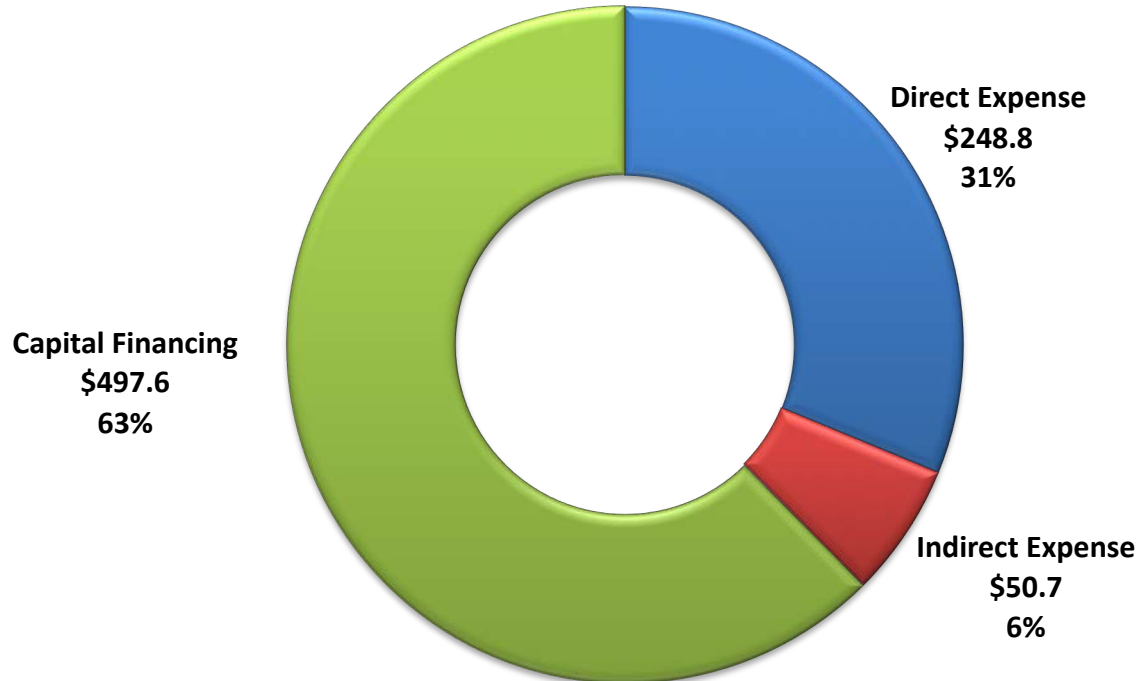
OPEB Funding Schedule	FY19	FY20	FY21	FY22	FY23	FY24
	\$5.6	\$6.0	\$6.1	\$6.1	\$6.2	\$6.2

Amounts in millions



FY20 Proposed Current Expense Budget (CEB)

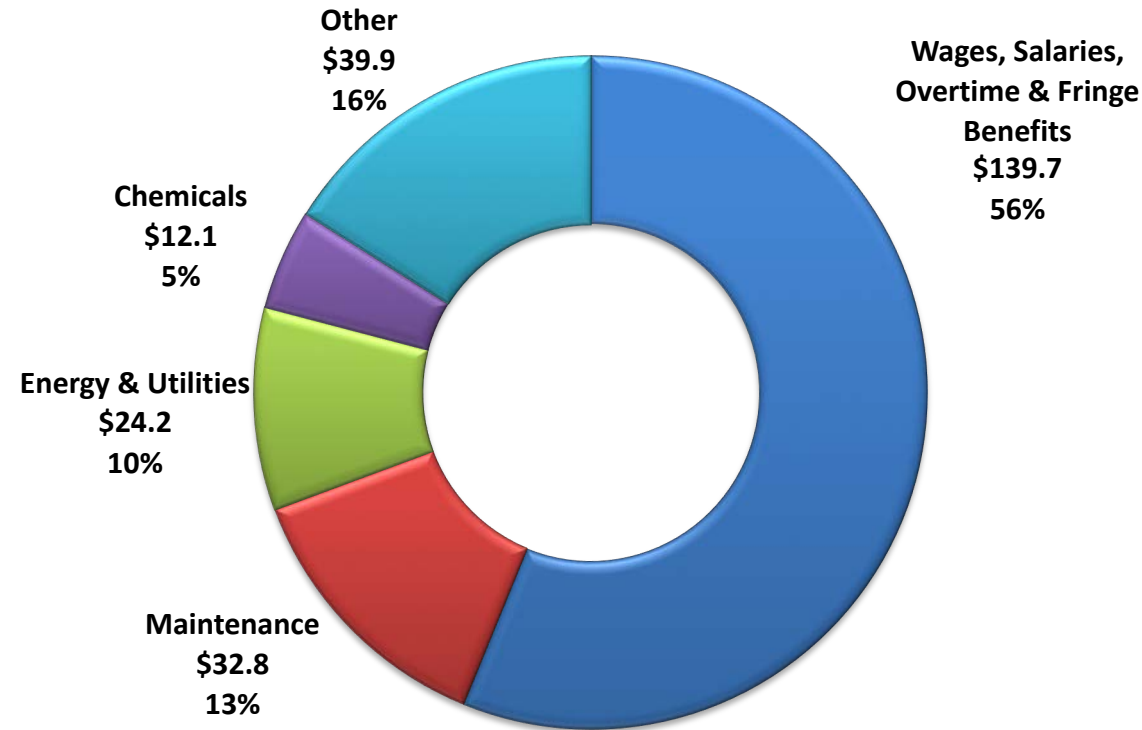
FY20 Proposed Current Expense Budget





Direct Expenses

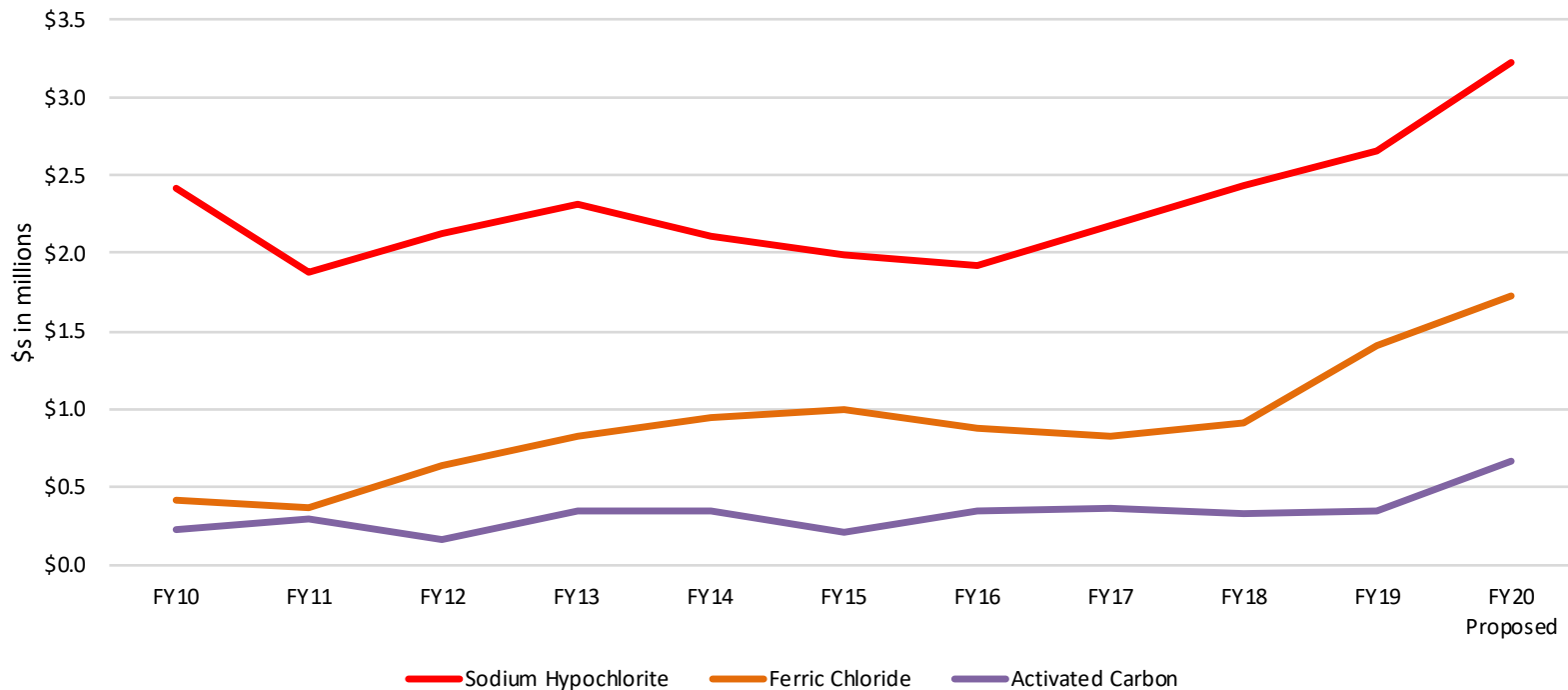
(\$s in millions)



- Wages, Salaries, Overtime & Fringe Benefits: Reflects collective bargaining and tunnel redundancy staff
- Chemicals: \$1.2M increase
- Utilities: \$1.3M increase
- Maintenance: \$.5M increase



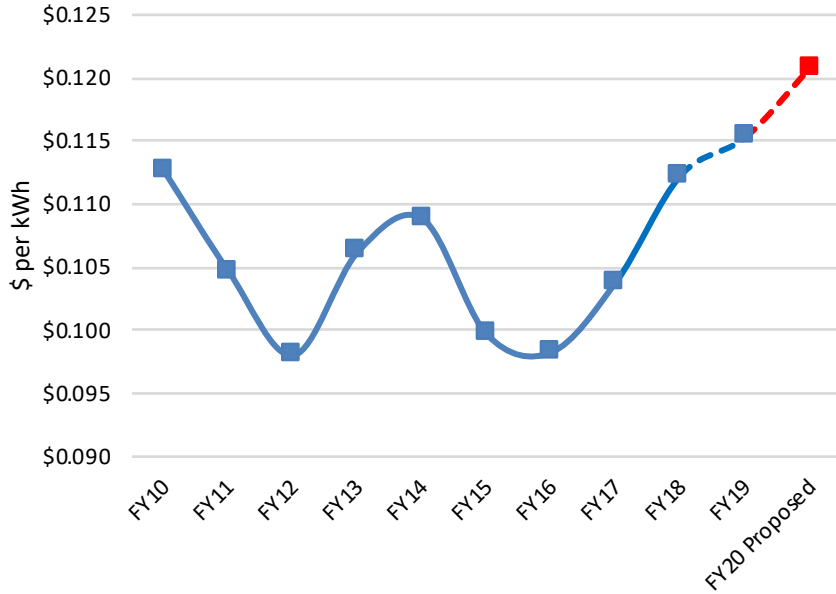
Historical & Projected Chemical Cost





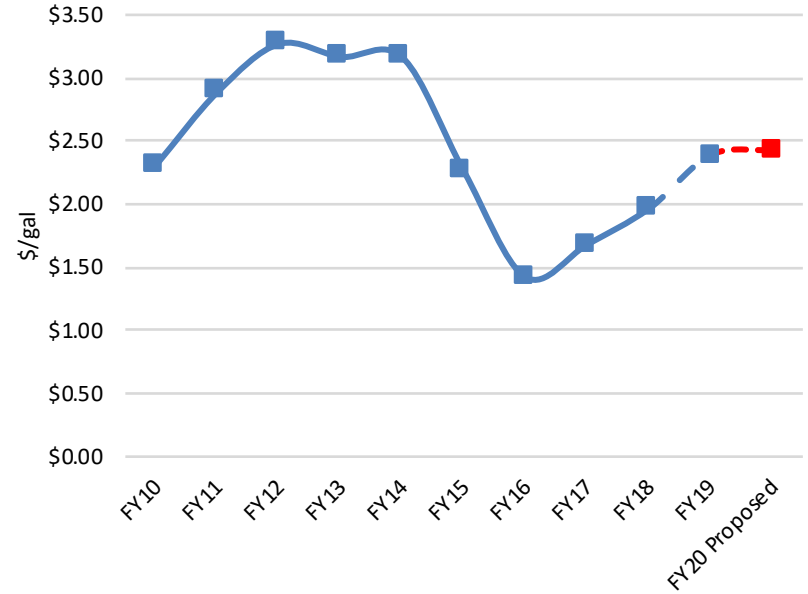
Electricity

\$/kWh



Diesel Fuel

\$/gal





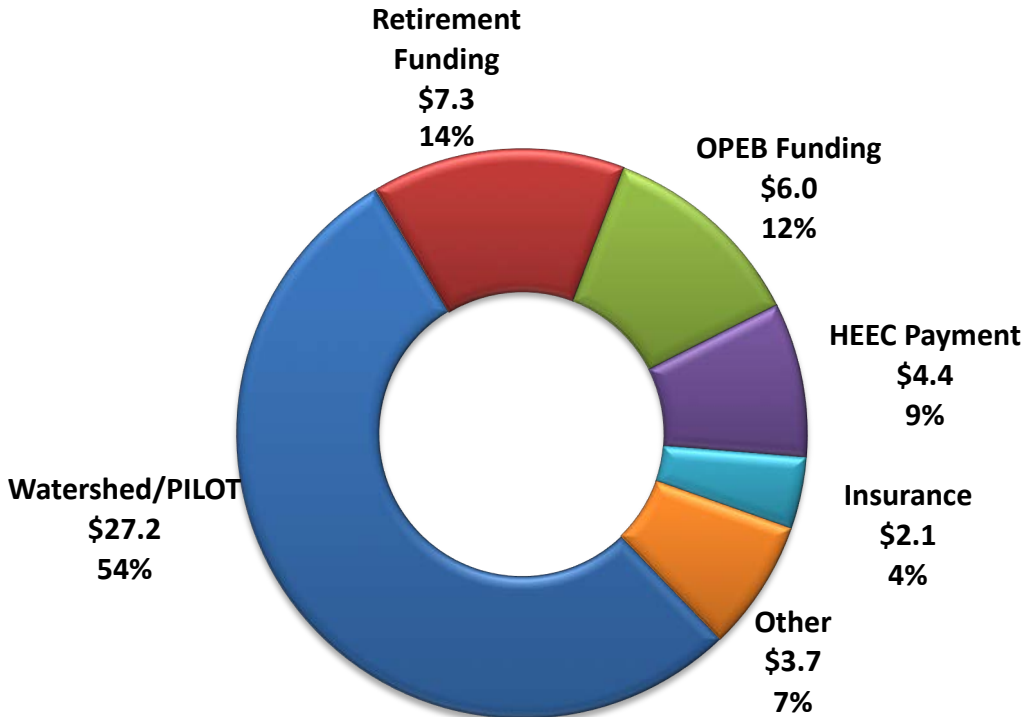
Health Insurance FY11-FY20





Indirect Expenses

(\$s in millions)

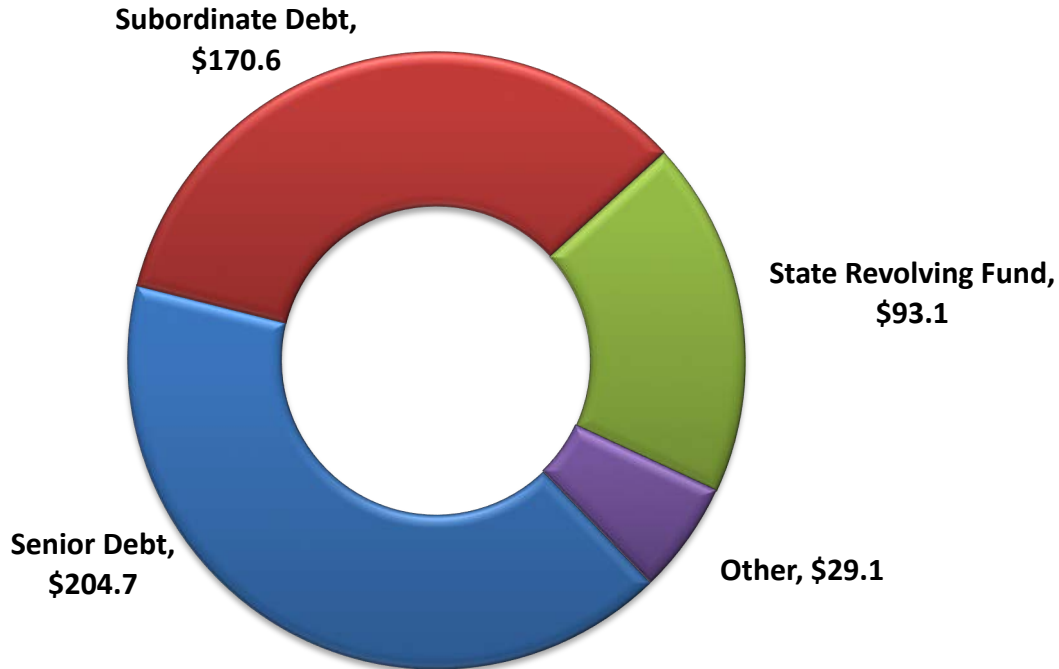


- Pension Fund: 95% funded
- OPEB Contribution: 50% of Actuarially Determined Contribution
- HEEC Cable: New cable coming online in FY20
- Watershed & PILOT: \$0.79m increase



CEB Budget Structure – Capital Finance Expenses

Capital Financing (\$s in millions)



- Variable Rate Debt Assumption: 3.75%, 25 bp increase
- Assumes \$15.0M defeasance in FY19
- \$1M increase to Current Revenue for Capital
- \$4.9 prepayment of debt



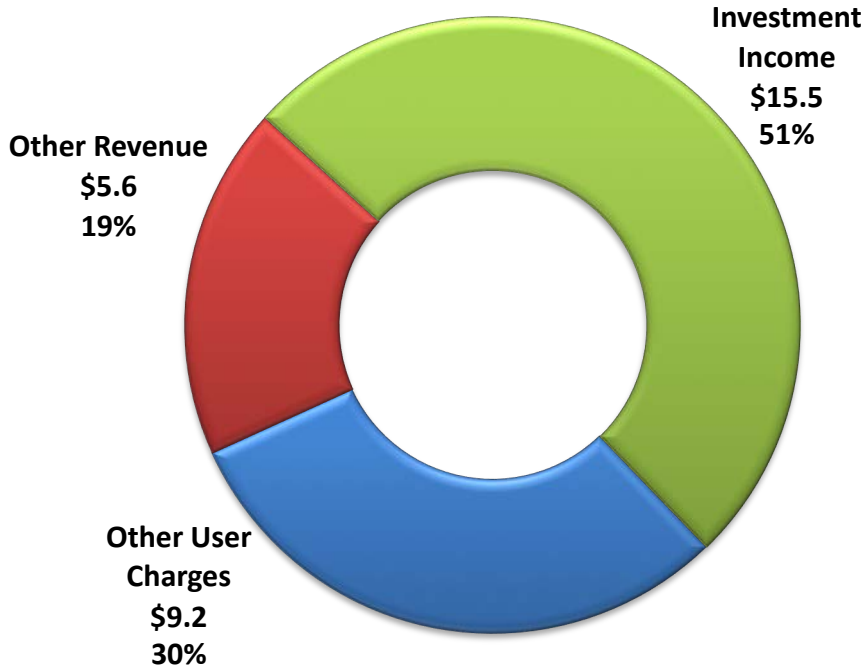
MWRA All-In Cost of Variable Rate Debt





Non-Rate Revenue

(\$s in millions)



- Investment Income: Short-term assumption increasing 50 bp from 1.75% to 2.25%
- Other revenue: Reduction due to demand response and RPS programs
- Other User Charges: Reduction related to Entrance Fees and Water Treatment Residuals



FY20 Proposed CIP

- FY20 Proposed CIP complies with the Cap requirements
- Focus on Asset Protection and Long-Term Redundancy
- Metropolitan Tunnel Redundancy



FY20 Proposed CIP - FY19-23 Base-Line Cap

		FY19	FY20	FY21	FY22	FY23	Total FY19-23
FY20 Proposed	Projected Expenditures	\$174.3	\$249.8	\$258.7	\$218.8	\$182.3	\$1,083.9
	I/I Program	(29.0)	(25.7)	(25.0)	(28.2)	(26.9)	(134.8)
	Water Loan Program	(22.4)	(9.7)	(5.2)	(4.4)	4.2	(37.5)
	MWRA Spending	122.9	214.4	228.5	186.1	159.6	\$911.6
	Contingency	0.0	13.6	14.8	12.5	10.7	51.6
	Inflation on Unawarded Construction	0.0	2.1	5.5	6.2	7.6	21.4
	Chicopee Valley Aqueduct Projects	(0.0)	0.0	0.0	0.0	0.0	(0.0)
	FY19 Proposed FY19-23 Spending	\$122.9	\$230.1	\$248.8	\$204.7	\$178.0	\$984.6
FY19 Final	Projected Expenditures	\$179.2	\$276.1	\$251.3	\$194.9	\$150.4	\$1,051.8
	I/I Program	(19.2)	(25.7)	(24.3)	(27.9)	(26.1)	(123.2)
	Water Loan Program	(8.3)	(8.4)	(7.2)	(5.6)	(2.8)	(32.4)
	MWRA Spending	151.7	241.9	219.7	161.4	121.4	\$896.2
	Contingency	9.9	15.9	14.5	11.0	8.2	59.4
	Inflation on Unawarded Construction	0.7	5.0	7.8	7.2	8.5	29.3
	Chicopee Valley Aqueduct Projects	(0.0)	0.0	0.0	0.0	0.0	(0.0)
	FY19 Proposed FY19-23 Spending	\$162.3	\$262.8	\$242.0	\$179.6	\$138.1	\$984.8



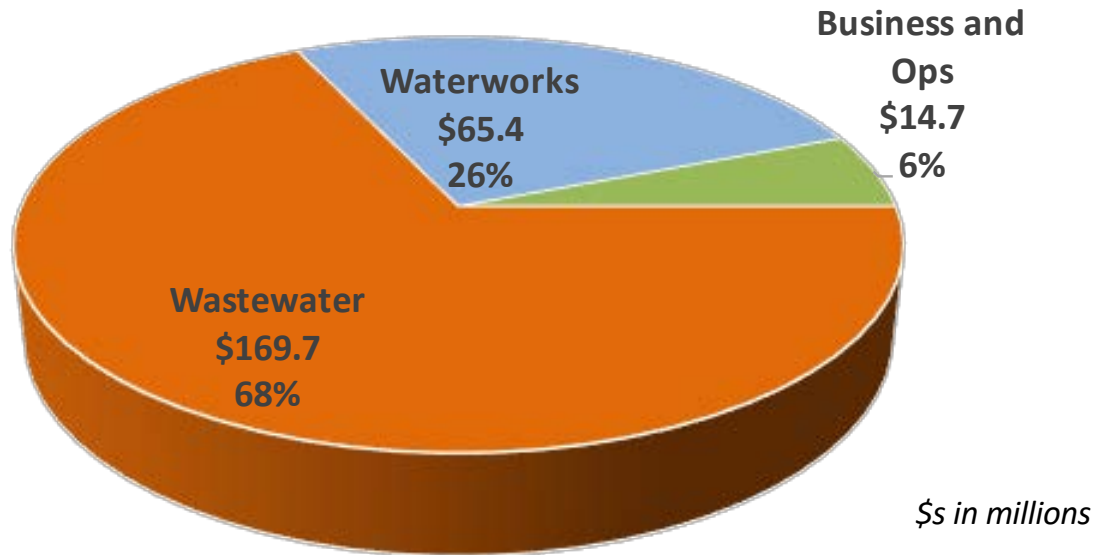
FY20 Proposed CIP – Top Construction Projects (\$ in 000s)

Project	Contract	FY20 Proposed Spending
DI Treatment Plant Asset Protection	Clarifier Rehab Phase 2 - Construction	\$23.1
Facility Asset Protection	Chelsea Creek Upgrades - Construction	\$19.3
Facility Asset Protection	Prison Point Rehabilitation Construction	\$18.6
Corrosion & Odor Control	Nut Island Odor Control HVAC Improvement Construction Ph 2	\$10.0
DI Treatment Plant Asset Protection	HVAC Equipment Replacement Construction	\$8.0
SEH Redundancy & Storage	Redundancy Pipeline Sect 111 - Construction 3	\$7.0
Residuals Asset Protection	Residuals Electrical/Mechanical/Drum Dryer Replacement	\$6.4
DI Treatment Plant Asset Protection	Gravity Thickener Rehabilitation	\$6.3
New Connecting Mains -Shaft 7 to WASM 3	CP3 Sections 23, 24, 47 Rehabilitation	\$6.0
Total		\$104.7
% of Total FY20 Proposed MWRA Spending		41.9%



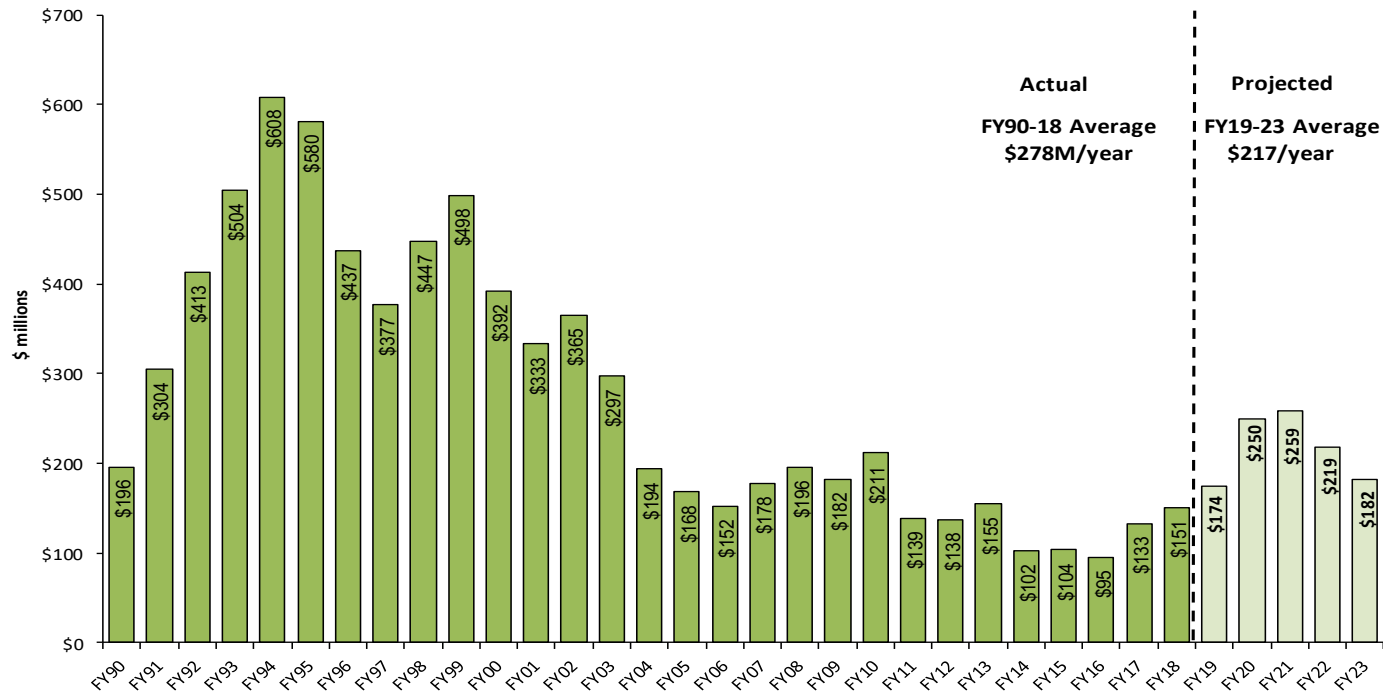
FY20 Proposed CIP – Proposed FY20 Expenditures

Total Proposed FY20 Expenditures: \$249.8 million



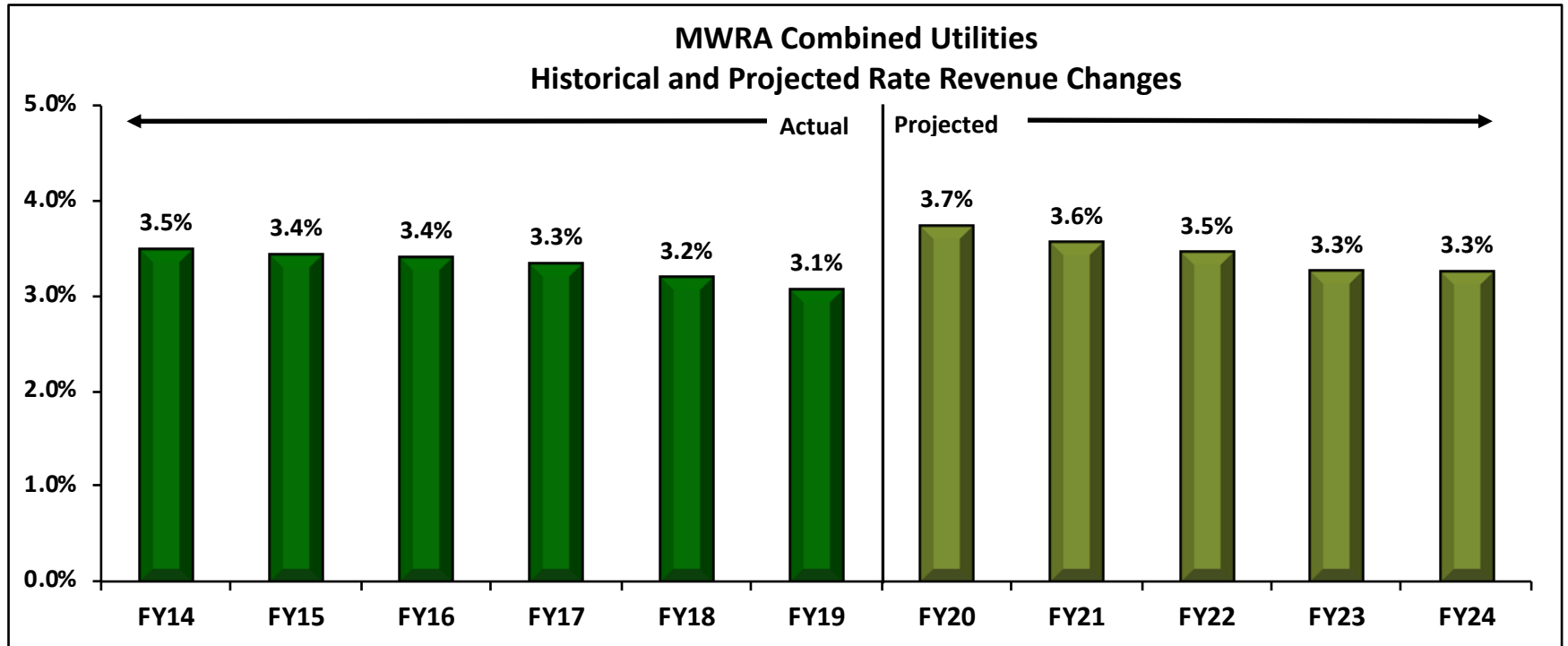


Historic and Projected Capital Improvement Spending





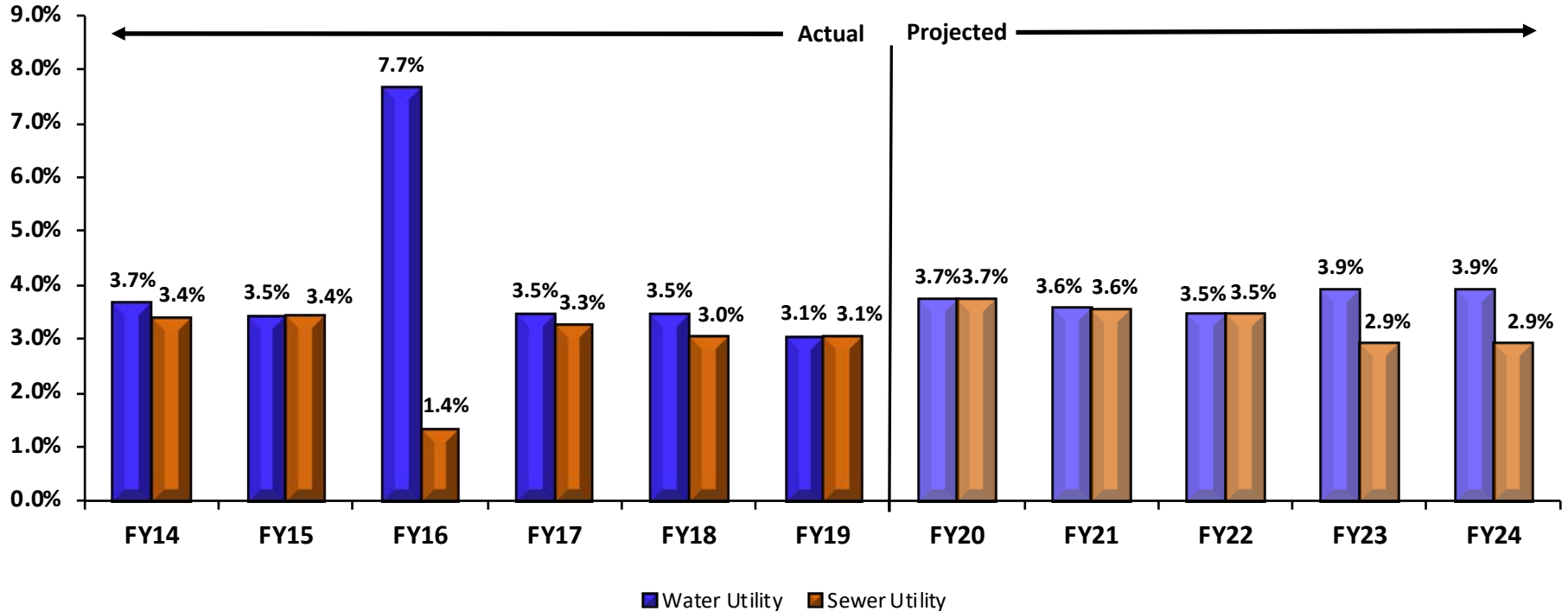
Actual and Forecasted Rate Revenue Changes





Actual and Forecasted Rate Revenue Changes by Utility

MWRA Water & Sewer Utilities
Historical and Projected Rate Revenue Changes





FY20 Current Expense Budget Next Steps

- Transmit Proposed Budget to Advisory Board for 60 day review
- Public Hearing
- MWRA Board Hearing
- Staff will present Draft Final Budget in May
- Staff anticipate FY20 Budget adoption in June

