FY 2026 Comments and Recommendations

on the MWRA's Proposed
Capital Improvement Program & Current Expense Budget

MWRA Advisory Board

MAY 2025

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The MWRA Advisory Board...

was established by the State Legislature to represent 60 communities in the MWRA service area. Through annual comments and recommendations on the Authority's proposed capital and current expense budgets and rates, the Advisory Board provides a ratepayer perspective on the MWRA's plans and policies to improve the region's water and sewer systems.

Introduction

Sharpening Our Focus in a Time of Growing Pressures

The Massachusetts Water Resources Authority (MWRA) has proposed a combined FY26 Rate Revenue Requirement (RRR) increase of 2.98%. Through targeted adjustments, the Advisory Board recommends reducing that to 2.70%—a modest revision, but one that continues our long-standing focus on balancing affordability with long-term responsibility.

The Advisory Board acknowledges MWRA's ongoing efforts to maintain cost stability and high performance across an increasingly complex system. Yet, as the FY26 budget cycle unfolds, a familiar set of structural challenges and policy pressures are once again coming to the fore.

This year's Comments and Recommendations focus on five areas of heightened concern:

1. Long-Term Capital Pressures

With multi-billion-dollar infrastructure projects—such as the Metro Tunnel Redundancy and revised CSO Long-Term Control Plan—poised to define the next generation of capital spending, the impact on out-year rates will be profound. Affordability must remain a central lens as these projects move from planning to execution.

2. Recurring Budget Surpluses in Wages and Benefits

Once again, the proposed budget significantly overstates projected costs in these categories, resulting in sizable year-end surpluses. If the MWRA's budget claimed that these funds were needed for specific purposes and raised rates accordingly, shouldn't they either be right-sized—or directed toward a related purpose consistent with the original rationale for collection?

3. Water-Sewer Assessment Disparity

Though sewer costs will always exceed water structurally, recent years have seen the rate of increase on the water side outpace sewer. While MWRA focuses rightly on the combined rate of increase, our communities manage separate water and sewer budgets—and uneven growth between them creates pressure at the local level.

4. Ratepayer Protections and Legislative Overreach

Pending legislation (H.897/S.447) would impose tens of millions of dollars in new costs on MWRA communities through added payments and expanded system mandates—without delivering any corresponding benefit. These burdens would fall hardest on lower-income and environmental justice communities. True fairness requires more than historical redress—it demands a present-day awareness of who bears the cost.

5. Safeguarding Watershed Policy and the Filtration Waiver

Recent calls to suspend all forestry activity on watershed lands, coupled with the ongoing enforcement limitations faced by DCR Rangers, jeopardize the oversight and resilience practices that have long protected MWRA's unfiltered water supply. If left unaddressed, these vulnerabilities could one day endanger the system's filtration waiver—an longstanding and sensitive arrangement that saves ratepayers hundreds of millions of dollars and avoids the greenhouse gas emissions of a filtration plant.

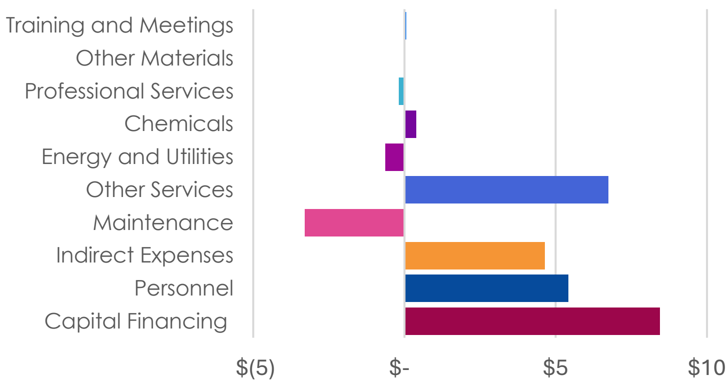
This year marks the 40th anniversary of MWRA's enabling legislation—a moment that invites reflection on the partnership that has shaped the system since its inception. For four decades, the Advisory Board has been more than a budget reviewer; we've been a co-architect of policy, a fiscal counterweight, and a constant advocate for the region's ratepayers. Our recommendations this year continue in that tradition—clear-eyed, community-centered, and grounded in the values that have made this system one of the nation's most successful.

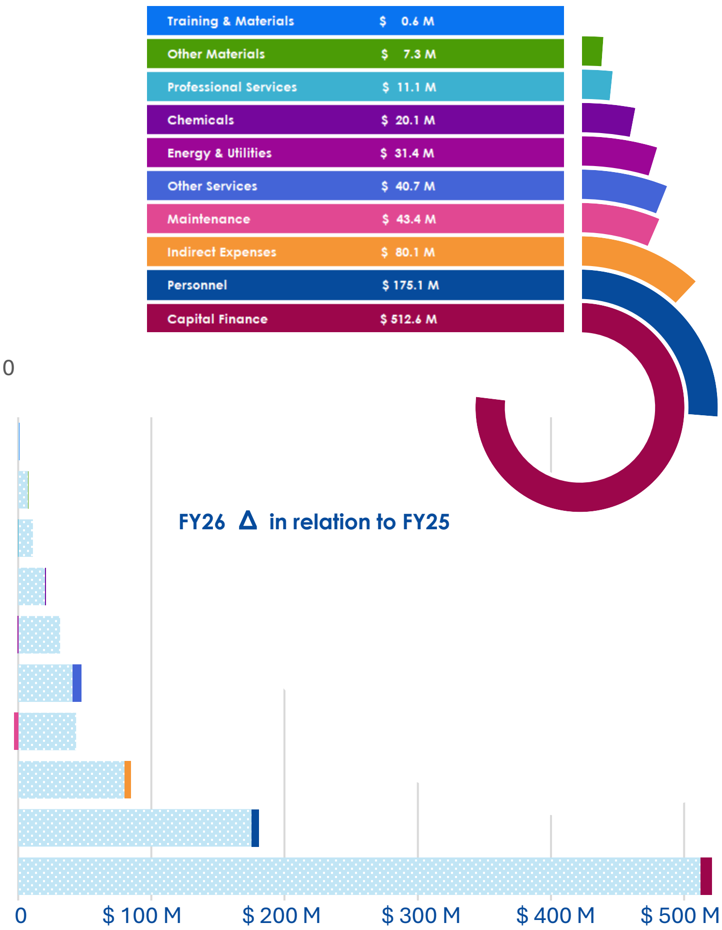
Proposed Fiscal Year 2026 CEB

Authority Level - Expenses

	Final FY25	Proposed FY26	Change ($)	Change (%)
Total Direct Expenses	**$ 321,013,762**	**$ 329,497,499**	**$ 8,483,737**	**2.6%**
Personnel	169,699,593	175,111,429	5,411,836	3.2%
Chemicals	19,706,033	20,102,976	396,943	2.0%
Energy and Utilities	32,048,176	31,416,124	(632,052)	-2.0%
Maintenance	46,653,201	43,354,835	(3,298,366)	-7.1%
Training and Meetings	568,346	627,241	58,895	10.4%
Professional Services	11,121,730	10,926,404	(195,326)	-1.8%
Other Materials	7,270,879	7,278,366	7,487	0.1%
Other Services	33,945,804	40,680,124	6,734,320	19.8%
Indirect Expenses	**$ 75,439,576**	**$ 80,079,425**	**$ 4,639,849**	**6.2%**
Capital Financing	**$ 504,168,667**	**$ 512,609,754**	**$ 8,441,087**	**1.7%**
Total Expenses	**$ 900,622,005**	**$ 922,186,678**	**$ 21,564,673**	**2.4%**

▲ from FY25 PFY26 ⬆ $ 21 M





PFY26 Proposed Budget Highlights	
Capital Financing	↑$8.4M due to structure of existing debt, projected borrowing in FY25 & FY26 ($?) & ↓variable rate debt assumption
Other Services	↑$6.7M due to increased Sludge Pellitization costs, Includes 6 months of landfilling and an inflation adjustment for remainder of the calendar year 2025 contract. 2026 contract is fixed rate and
Personnel	↑$5.4M includes an anticipated COLA, a 5% increase in overtime ad a 5.3% increase in Fringe Benefits resulting from a 5.6% in Health Insurance premiums
Indirect Expenses	↑$4.7M due to increased insurance premiums, a $2.6M increase in Watershed Management expenses and an additional $5.8M paymet to the pension fund
Maintenance	↓$3.3M resulting from the completeing of large maintenance projects in FY25
Energy and Utilities	↓$0.6M - driven by lower Electricity ad Diesel Fuel costs
Chemicals	↑$0.4M - driven primaliry by price increases for Soda Ash, Ferric Chloride, Sodium Bisulfite and Liquid Oxygen

FY 2026 CEB OVERVIEW

The proposed FY2026 Current Expense Budget (CEB) totals $922.2 million, reflecting a $21.6 million or 2.4% increase from FY2025. This moderate rise is shaped by cost growth in personnel, pension funding, and other services, offset in part by savings in maintenance and utilities.

Personnel expenses increase by $5.4 million (3.2%) to $175.1 million, driven by collective bargaining adjustments, step increases, rising health insurance costs, and increases in overtime and standby pay. Fringe benefits grow by 5.3%, with health insurance premiums up 5.6%.

Chemical costs rise modestly by $0.4 million (2.0%) to $20.1 million, reflecting upward pricing trends in soda ash, ferric chloride, sodium bisulfite, and liquid oxygen. Energy and utility expenses decrease by $0.6 million (–2.0%) to $31.4 million, as projected savings in diesel and electricity more than offset increases in natural gas.

Maintenance shows a $3.3 million (–7.1%) decline, bringing the total to $43.4 million, following the completion of several large-scale FY25 projects. Professional services drop by $195,000 (–1.8%), while training, other materials, and equipment budgets remain relatively flat.

Indirect expenses increase by $4.6 million (6.2%) to $80.1 million, largely due to a $2.83 million (13.3%) increase in pension contributions and rising watershed reimbursements. MWRA remains on track to fully fund its retirement system by 2030.

Other services rise by $6.7 million (19.8%) to $40.7 million, primarily due to a $6 million contingency for PFAS-related landfill costs under the sludge pelletization contract, alongside inflation adjustments built into Contract S592.

Capital financing remains the largest portion of the CEB, increasing by $8.4 million (1.7%) to $512.6 million, or 55.6% of the total budget. While senior debt service declines by $23 million, this is offset by a $27 million increase in variable-rate debt. MWRA's layered debt strategy continues to smooth rate increases over time. A $15 million defeasance planned for FY25 will reduce FY26 debt service by $0.7 million, with a larger Spring defeasance under consideration that could yield long-term savings and ease water assessment pressure.

Overall, the FY2026 CEB reflects MWRA's commitment to maintaining affordability while advancing key infrastructure investments and meeting long-term obligations.

Recommendation: The Advisory Board recommends reducing the FY26 Rate Revenue Requirement by $2,456,229 resulting in a combined wholesale assessment increase of 2.70%

“Spring Revisits”

The proposed Current Expense Budget process begins early in the fiscal year, relying on placeholder estimates for costs that have not yet been finalized. As the fiscal year progresses, MWRA receives firmer figures—such as finalized health insurance premiums, updated contract pricing, and refined operational assumptions. The Advisory Board refers to these late-stage budget updates as “spring revisits.”

Incorporating these revised figures helps ensure Advisory Board recommendations are based on the most accurate data available. Below are the key Spring Revisit changes as of May 7, 2025:

Sewer	
Wages & Salaries	$ 1,013,935
Overtime	$ 15,010
Fringe Benefits	$ 730,549
Workers Comp	$ 11,908
Chemicals	$ (115,972)
Energy & Utilities	$ 1,579,523
Maintenance	$ 1,485,216
Training and Meetings	$ 39,193
Professoinal Services	$ 279,660
Other Materials	$ 272,866
Other Services	$ (1,763,812)
Subtotal of Changes to Operating Costs	**$ 3,548,076**

Water	
Wages & Salaries	$ 84,192
Overtime	$ (6,924)
Fringe Benefits	$ 441,947
Workers Comp	$ (11,908)
Chemicals	$ (679,776)
Energy & Utilities	$ 583,418
Maintenance	$ (1,217,384)
Training and Meetings	$ 23,307
Professoinal Services	$ 96,639
Other Materials	$ 109,475
Other Services	$ 167,599
Subtotal of Changes to Operating Costs	**$ (409,414)**

The Advisory Board expects additional refinements to follow as more contracts are finalized, and benefit rates are confirmed. However, these are the official Spring Revisit adjustments as of May 7 and are incorporated into the Advisory Board’s analysis and recommendations for the final FY26 budget.

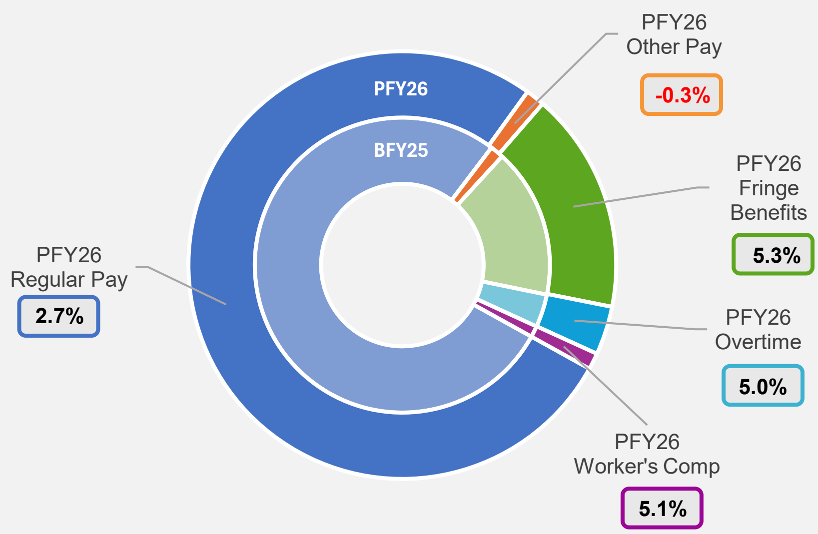
Comment: The Advisory Board anticipates Spring Revisit item totals of $3,548,076 on the sewer utility and a net reduction of $409,414 on the water utility.

Proposed Fiscal Year 2026 CEB

Personnel

	Budget FY25	Proposed FY26	Change ($)	Change (%)
TOTAL WAGES & SALARIES	$133,658,956	$137,174,159	$3,515,203	2.6%
REGULAR PAY	131,140,496	134,662,843	3,522,347	2.7%
OTHER PAY	2,518,460	2,511,316	- 7,144	- 0.3%
FRINGE BENEFITS	27,834,124	29,316,610	1,482,486	5.3%
OVERTIME	6,133,078	6,440,930	307,852	5.0%
WORKER'S COMPENSATION	2,073,435	2,179,730	106,295	5.1%
TOTAL PERSONNEL	**$ 169,699,593**	**$ 175,111,429**	**$ 5,411,836**	**3.2%**

Personnel Expenses: FY25 to PFY26



PFY26 Personnel Budget Highlights

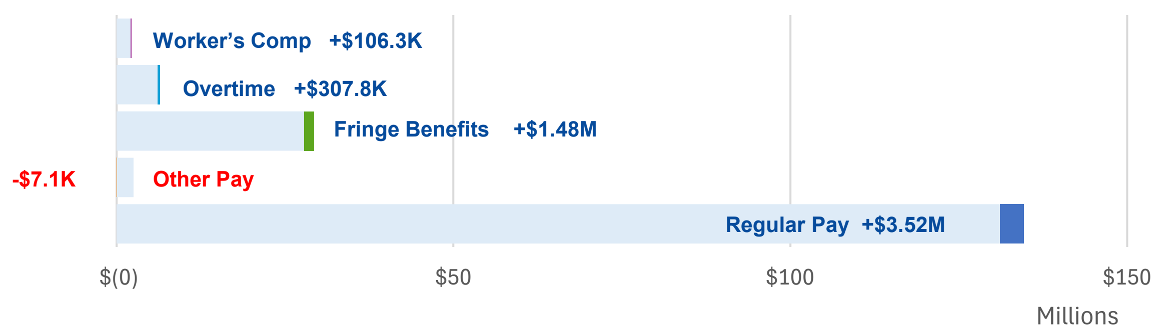
Wages & Salaries

Increased by $3.5M (2.6%), mainly from growth in regular pay and staffing adjustments.

Fringe Benefits

Up $1.5M (5.3%), reflecting higher healthcare and benefit-related costs.

PFY26 Change in Relation to BFY25

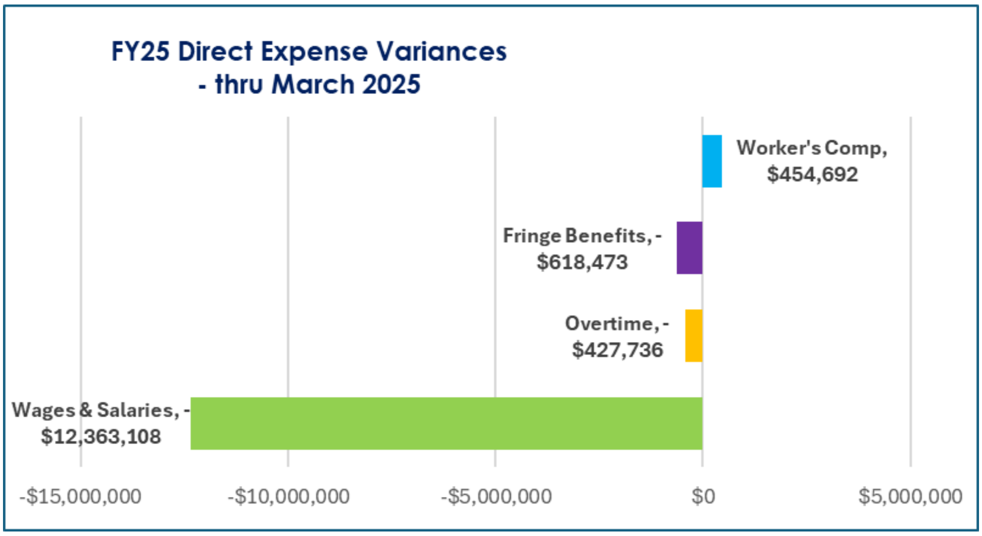


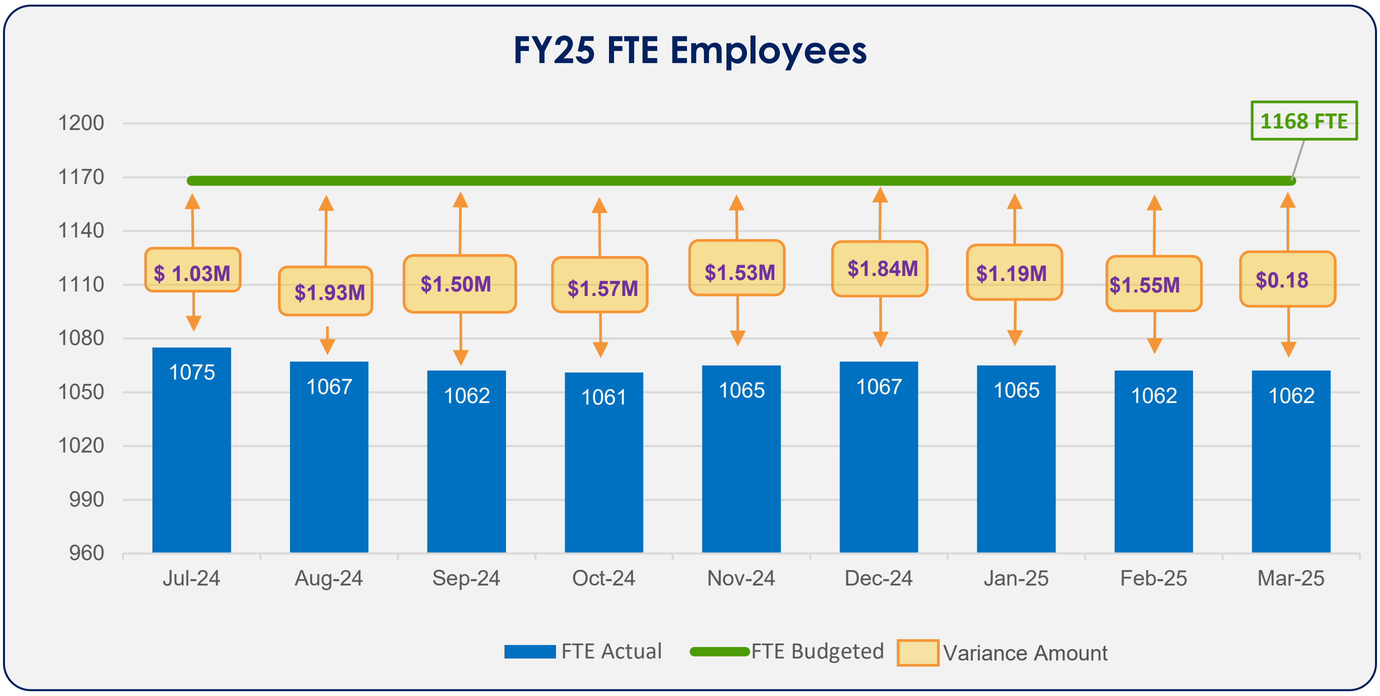
Proposed Fiscal Year 2026 CEB

Personnel

Staffing and Personnel Expense Variances by Period

Total Wages & Salaries	Period Ending 7-27-24	Period Ending 8-31-24	Period Ending 9-28-24	Period Ending 10-26-24	Period Ending 11-30-24	Period Ending 12-28-24	Period Ending 1-25-25	Period Ending 3-1-25	Period Ending 3-29-25
Budget Amount	**$9,714,919**	**$11,683,200**	**$10,284,698**	**$10,433,373**	**$12,452,544**	**$10,508,591**	**$10,301,284**	**$12,282,579**	**$10,412,128**
Actual Amount	8,677,922	9,752,557	8,774,944	8,858,897	$10,916,153	8,667,595	9,105,500	10,732,219	10,224,427
Variance	**-$ 1,036,999**	**-$ 1,930,643**	**-$ 1,509,754**	**-$ 1,574,476**	**-$ 1,536,391**	**-$ 1,840,996**	**-$ 1,195,785**	**-$ 1,550,362**	**-$ 187,702**





Personnel

Overview: FY26 Budget Context and Structural Notes

MWRA's personnel budgeting is structured around a three-tier framework: all authorized positions, the subset departments request funding for, and the final count after a system-wide Vacancy Rate Adjustment. This framework defines how MWRA arrives at its final budgeted headcount and salary base.

The Position Control Report (PCR) lists all authorized positions—filled, vacant, funded, or unfunded—but does not indicate which are actively budgeted. Departments submit funding requests for all filled positions and select vacancies they aim to fill. Vacant positions are typically budgeted at the midpoint salary, though departments may request more for difficult-to-fill non-union roles.

Finance compiles these requests and applies a dollar-based Vacancy Rate Adjustment, assuming some positions will remain unfilled. For FY26, the adjustment totals $5.6 million, based on an average salary of $115,000 per Full-Time Equivalent (FTE). The reduction is distributed across cost centers according to their share of Regular Pay. It lowers the salary budget but does not reduce the number of authorized positions.

The final budgeted FTE count for FY26 is 1,166.2, reflecting funded filled and vacant positions post-adjustment. However, since there is no centralized list identifying which vacant PCR roles are funded, departments will need to be contacted directly to confirm funding status and staffing needs.

Prior to FY23, the Vacancy Rate Adjustment applied only to the Operations Division (roughly 75–80% of MWRA staff), with reductions reflected in both dollars and FTEs. Since FY23, the adjustment has applied to all divisions as a financial measure only: FTEs outside Operations remain unchanged. The shift began as a rate management strategy and continues as a planning tool.

MWRA maintains a Core Operations staffing target of 1,150 FTEs, established by a 2012 staffing analysis conducted by Amawalk Consulting Group and raised slightly to 1,154 in FY25, excluding Tunnel Redundancy. Two salary benchmarks are used for modeling: $115,000 for all FTEs and $94,000 for vacancies. Though $94,000 better reflects vacancy costs, MWRA uses the blended $115,000 for consistency.

Key developments in the FY26 budget include the broader application of the Vacancy Rate Adjustment and continued conservative staffing assumptions amid ongoing hiring challenges.

Personnel Budget Analysis: FY25 vs. FY26

The wages and salaries monthly variance chart for FY24 highlights the fluctuations throughout the year, with the largest negative variance of $2.1 million occurring in the period ending August 26th, 2023. The smallest variance was just over $260,000 under budget for the period ending January 20th, 2024.

MWRA's FY26 personnel budget totals $175.1 million, a 3.2% increase over FY25's $169.7 million. Wages and Salaries represent $137.2 million of that total, up 2.6%, while Fringe Benefits are budgeted at $29.3 million, an increase of 5.3%. Regular Pay makes up 98.2% of total Wages and Salaries, with a $5.6 million vacancy adjustment already applied. The budget reflects a continued conservative approach to staffing, with only modest growth aligned to standard salary progression and partial backfilling of vacancies. The FY26 budgeted headcount includes 1,166.2 FTEs, down 1.8% from FY25's total.

Despite these planning assumptions, personnel-related spending continued to run below budget in late FY25. As of the third quarter, Wages and Salaries were underspent by $12.36 million (12.6%), Fringe Benefits by $618,000 (3.0%), and Overtime by $428,000 (9.2%). The one notable exception was Workers' Compensation, which exceeded budget by approximately $455,000 (29.2%), reflecting higher-than-expected claims. In response, the FY26 Workers' Compensation budget has been increased to $2.2 million, based on a three-year average. Overtime, meanwhile, has been increased by 5.0% in the FY26 budget to $6.4 million, reflecting wage increases and recent trends in planned overtime for off-hours maintenance, emergencies, and construction support.

The underspending across core personnel categories is largely attributable to MWRA's high vacancy rate, which has remained close to 20%. While the FY25 budget assumed 1,168 full-time equivalents (FTEs), actual staffing hovered around 1,070–1,075. Hiring delays, lower salary levels for new hires, and limited fringe benefit uptake, particularly in health insurance, have all contributed to these savings. Newer employees often select lower-cost individual health plans or contribute at higher rates, while retiring staff are more likely to have carried higher-cost family plans. These shifts have kept Fringe Benefit costs well below projections, even though MWRA budgets fringe benefits using standard, static plan assumptions without applying a formal vacancy discount. As of late March, health insurance accounted for $17.3 million of the $19.9 million spent on Fringe Benefits, with underspending on health insurance driving $536,000 of the $618,000 total variance to date.

Meanwhile, Overtime continues to reflect operational trends: Deer Island exceeded its Q1 budget due to maintenance and shift coverage needs but came in 14.4% under budget in Q2 due to milder weather and stable operations. Field Operations showed a similar pattern, remaining below budget throughout both quarters thanks to fewer rain events and emergency response demands.

Personnel remains one of MWRA's largest cost categories, and the persistence of vacancy-related underspending raises long-term questions about staffing structure and financial planning. In FY26, department-level budgets continue to follow a uniform framework that includes R&B (reclassification and backfill) reserves, longevity pay, and each department's proportionate share of the Vacancy Rate Adjustment. This model is applied consistently across major divisions, including Planning, TRAC, Deer Island, Western Operations, and Residuals, ensuring that any differences in year-over-year salary totals reflect actual staffing shifts, not policy changes. While individual departments may vary in the size of their reserves based on headcount and past activity, none exhibit anomalous growth in Regular Pay.

Comment: As structural vacancies persist, future discussion may need to address whether long-unfilled positions should be reclassified, consolidated, or removed altogether to improve budget transparency and align workforce planning with operational priorities.

Note on Spring Revisit

As part of the Spring Revisit, personnel-related expenses, including Wages & Salaries, Overtime, Fringe Benefits, and Workers' Compensation, were adjusted to reflect updated staffing assumptions, insurance rates, and operational needs. Wages & Salaries increased by approximately $1.1 million, largely due to an $878,000 boost in Stand By Pay per new collective bargaining agreements.

Overtime increased slightly by just over $8,000, with a $15,000 rise on the Sewer side and a small offsetting reduction on the Water side. Fringe Benefits rose by approximately $1.17 million, driven by higher projected health insurance costs. Workers' Compensation, meanwhile, remained unchanged at approximately $2.18 million, though small reallocations were made between Sewer and Water. Together, these adjustments brought the total personnel-related budget to approximately $177 million.

Comment: The Advisory Board expects MWRA to update its personnel expenses in the final budget including:

- *$1.1 million increase for Wages & Salaries*
- *$8 thousand increase for Overtime*
- *$1.17 million increase for Fringe Benefits*

Recommendation: Adjust Personnel Budget to Reflect Persistent Vacancies

Based on an analysis of year-end staffing data over the past five fiscal years, the MWRA has averaged 1,085 filled FTEs in June, well below the FY26 budgeted count of 1,166.2. To better align budgeted staffing levels with historical hiring trends:

Recommendation: the Advisory Board recommends applying an additional vacancy rate adjustment equal to approximately 50% of the 81-FTE gap, or 42 FTEs.

This adjustment would reduce the salary budget by $4.83 million, assuming the standard $115,000 per FTE. Allocating this by functional category:

Recommendation: the Advisory Board recommends assigning 28 FTEs to the sewer side ($3.22 million) and 14 FTEs to the water side ($1.61 million).

A corresponding fringe benefits reduction of $966,000 is also recommended, calculated as 20% of the salary adjustment. This includes $644,000 on the sewer side and $322,000 on the water side. These savings reflect expected reductions in fringe costs due to unfilled positions and lower-cost benefit selections among new hires.

Recommendation: the Advisory Board recommends reducing Fringe Benefits by $966,000 as part of its overall vacancy rate adjustment recommendation.

Recommendation: Budget Personnel Dollars for Their True Purpose

For several years now, MWRA has consistently overbudgeted its personnel line — and not by a small margin. Through March of FY25, the Authority underspent its Wages & Salaries budget by more than $12 million, with similarly persistent underruns in fringe benefits and overtime. Some of this is unavoidable: hiring takes time, new employees cost less than retirees, and health plan selections vary. But taken together, the pattern is too consistent to ignore. It doesn't just suggest careful budgeting — it suggests that surplus has become part of the structure.

In practice, MWRA has put this surplus to good use. It has reliably applied excess funds toward defeasance — a fiscally sound strategy that reduces long-term debt and helps contain future rate increases. The Advisory Board has long supported defeasance as a smart, responsible use of available dollars. We want to be clear: the outcome isn't the issue. The presentation is.

Ratepayers were told these dollars were needed to fund wages, salaries, and benefits — not defeasance. If defeasance is in fact the intended use, it should be clearly reflected in the budget. MWRA has done this periodically in recent years and, in fact, currently has $8.5 million included in its proposed FY26 CEB for debt prepayment. In the past, we challenged the Authority's conservative assumptions on variable-rate debt. That line item routinely produced surpluses, and we called for more accurate budgeting. MWRA's eventual and welcome solution was to codify a policy dedicating any such surplus to defeasance. That transparency turned a recurring tension into a shared understanding — and allowed both the Authority and the Advisory Board to move forward.

We see the same pattern emerging here. So we offer a similar recommendation.

First, if these funds remain in the personnel budget, they should be used for personnel-related obligations — namely, retiree pension and OPEB liabilities. Redirecting the surplus to these long-term commitments keeps funds tied to their original purpose and advances MWRA's fiscal strength over time.

If not, then the Authority should both right-size its personnel budget to reflect expected staffing levels and explicitly budget a defeasance line item. That combination would better reflect reality, avoid the appearance of a built-in surplus, and elevate defeasance to its rightful place as an intentional, rate-stabilizing investment. The Advisory Board has supported defeasance for years, and we continue to view it as one of MWRA's most successful financial tools — but it should be proposed, not implied. If MWRA believes it is appropriate to raise funds from ratepayers today to pay down future debt, it should make that case plainly and proactively. Then, through our annual budget review, we can evaluate, debate, and — if appropriate — endorse it on the merits.

At the end of the day, this recommendation is about clarity, not criticism. **The budget is, in effect, MWRA's policy document. It tells ratepayers what their money is for.** If the Authority believes defeasance is the best use of these dollars, it should say so — and we may well agree. But it should not do so by way of a silent surplus.

Proposed Fiscal Year 2026 CEB

MWRA ADVISORY BOARD

Chemicals

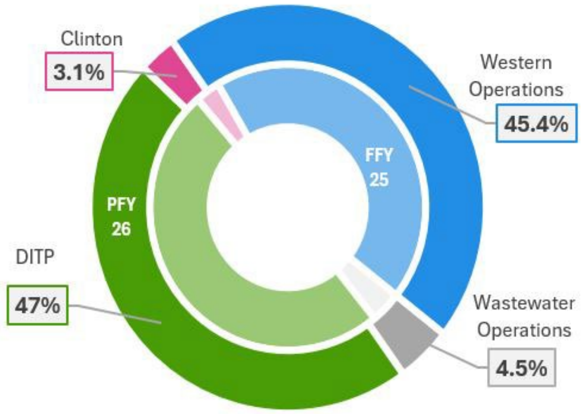
	Final FY25	Proposed FY26	Change ($)	Change (%)
SODA ASH	3,554,314	3,769,373	215,059	6.1%
SODIUM HYPOCLORITE	6,719,605	6,347,729	(371,876)	-5.5%
HYDROFLUOSILIC ACID	517,766	563,870	46,104	8.9%
SODIUM HYDROXIDE	170,267	193,051	22,784	13.4%
OTHER	68,442	58,339	(10,103)	-14.8%
POLYMER	562,759	546,778	(15,981)	-2.8%
SODIUM BISULFITE	771,549	856,471	84,922	11.0%
ACTIVATED CARBON	378,453	545,323	166,870	44.1%
LIQUID OXYGEN	914,423	989,795	75,372	8.2%
NITROGEN	3,000	3,000	-	0.0%
CARBON DIOXIDE	805,035	796,790	(8,245)	-1.0%
FERRIC CHLORIDE	3,881,306	4,060,853	179,547	4.6%
HYDROGEN PEROXIDE	795,952	803,941	7,989	1.0%
AQUA AMMONIA	313,518	293,661	(19,857)	-6.3%
OTHER OXIDIZERS	249,644	274,002	24,358	9.8%
TOTAL EXPENSES	**$ 19,706,033**	**$ 20,102,976**	**$ 396,943**	**2.01%**

PFY26
↑
$ 0.3 M

DITP
↓
$ 0.3 M

Western Operations
↓
$ 0.2 M

Chemicals by Division: FFY25 & PFY26

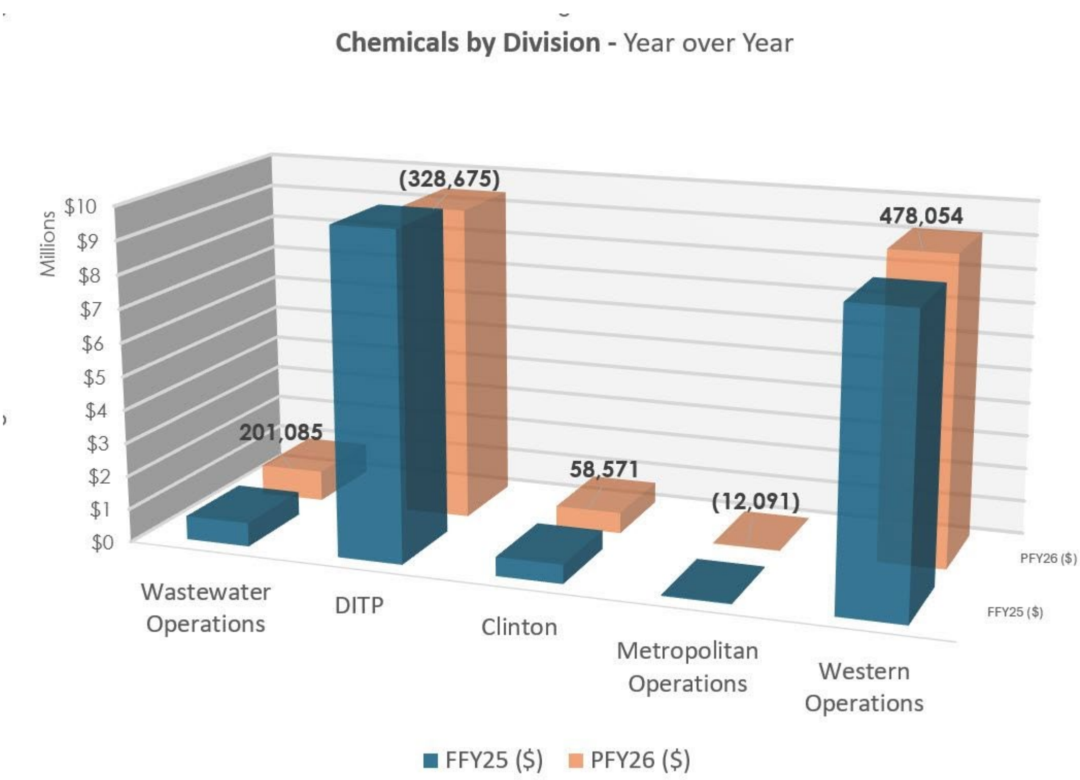


	FFY25 ($)	PFY26 ($)	Change ($)	Change (%)
Wastewater Operations	**710,332**	**911,417**	**201,085**	**28.3%**
DITP	**9,739,230**	**9,410,555**	**(328,675)**	**-3.4%**
Clinton	**568,507**	**627,078**	**58,571**	**10.3%**
Metropolitan Operations	31,790	19,699	(12,091)	-38.0%
Western Operations	**8,656,175**	**9,134,229**	**478,054**	**5.5%**
TOTAL	**$ 19,706,034**	**$ 20,102,978**	**$ 396,944**	**2.0%**

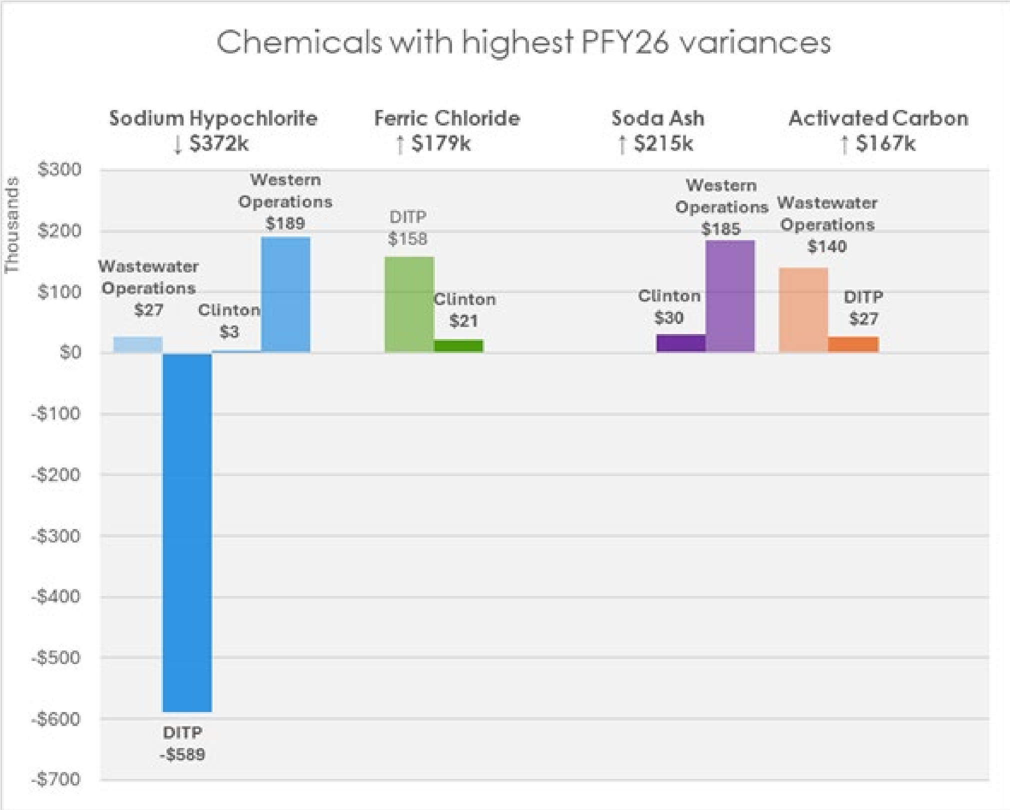
Chemicals

Overview

The proposed FY26 budget includes $20.1 million for chemicals an overall increase of $396,943, or 2% from the previous year's budget. Deer Island Treatment Plant (DITP) and John Carroll Water Treatment Plant (JCWTP) process demands dominate this budget line item, with changes year over year offsetting each other in this year's budget; DITP chemical budget decreasing $328, 675 (-3.4%) and JCWTP chemicals increasing $478,054 (5.5%). The greatest year over year chemical budget variances amongst divisions occur in Wastewater Operations up 28.3% for $200,985 and the Clinton Wastewater Treatment Plant up 10.3% or $58, 571.



Several chemical costs increased, including Soda Ash, which rose by $215,059 (6.1%) due to pricing. Activated Carbon went up by $166,870 (44.1%) because of replacement needs at Nut Island Headworks, and Ferric Chloride increased by $179,547 (4.6%). Sodium Bisulfite and Liquid Oxygen also experienced smaller budget increases due to pricing. However, these increases were partially offset by lower budgeted amounts for Sodium Hypochlorite, which decreased by $371,976 (5.5%) due to lower pricing for the Deer Island supply. The FY26 Budget includes $711,000 for anticipated higher enterococcus treatment requirements associated with the new NPDES permit—largely due to increases in Sodium Hypochlorite and Sodium Bisulfite.



Sodium Hypochlorite

Sodium hypochlorite, or chlorine, is mixed with wastewater effluent to kill bacteria and disinfect. It is used in Wastewater Operations, Deer Island Operations and the Clinton Wastewater Treatment plant. Sodium Hypochlorite is also a critical component of the water treatment process at the John Carroll Water Treatment Plant (Western Operations & Maintenance) as it provides residual disinfection that prevents microbial growth within the distribution system. Favorable pricing in FY26 accounts for a decrease in the FY26 budget for this chemical at DITP. The increase at the other facilities is due to anticipated 10% price increases associated with the renewal of annual contracts.

Ferric Chloride

Ferric Chloride is used primarily for corrosion control at the Deer Island and Clinton Wastewater Treatment plants and for odor control of residuals. It is also added to coagulation polymers to precipitate phosphates into a filterable solid. Ferric chloride is one of the top chemical expenditures for the Deer Island Treatment Plant. The proposed FY26 budget reflects updated dosing and contract pricing associated with the new NPDES permit. Ferric chloride is used in solution form at Clinton and enjoys a lower price per pound than Deer Island.

Soda Ash

Soda ash is used to adjust pH levels and alkalinity. It used in Western Operations & Maintenance and at the Clinton Wastewater Treatment Plant.

Soda ash represents the single largest chemical expense for the John Carroll Water Treatment Plant in FY26 at $3.5 million. It's critical for maintaining finished water pH and corrosion control, dosed consistently based on historic averages. The proposed FY26 budget reflects pricing under a long-term contract through 2027 based on three-year average flows. At the Clinton Wastewater Treatment Plant, soda ash is used to enhance effluent pH and alkalinity—particularly important for the Phosphorus Reduction Facility. The proposed FY26 budget reflects both higher process demand and anticipated price hikes. The facility aligns its operations with NPDES pH and nutrient discharge requirements.

Activated Carbon

Activated carbon is employed in wastewater operations for odor control to adsorb hydrogen sulfide and non-methane hydrocarbons from ventilation air, ensuring compliance with air quality standards. Deer Island utilizes carbon scrubber units that contain approximately 700,000 pounds of activated carbon. Between 285,000 to 430,000 pounds of the medium is replaced each year. The Authority entered a three-year contract for regenerated activated carbon in December 2024 at a 13% higher price. The regenerated carbon is purchased from China and regenerated in the United States.

Within Wastewater Operations, activated carbon beds are used as a backup odor control method when wet scrubbers using sodium hypochlorite and sodium hydroxide are offline for maintenance. The FY26 budget for activated carbon under Wastewater Operations is $160,003, a $139,999 (699.9%) increase over FY25. This sharp rise reflects a planned $150,000 media replacement at Nut Island. At the Authority-wide level, activated carbon spending is set to increase by $166,870 (44.1%), from $378,453 in FY25 to $545,323 in FY26, with the Nut Island replacement driving most of the growth.

Chemical contract periods vary across divisions and chemicals. A number of contracts end near or just after the fiscal year end and will be part of the Spring revisits in May.

The Authority utilizes rolling averages for price and quantity in its budget process to account for variability in system demands due to weather conditions and supply chain conditions. As an example, the Clinton Treatment plant uses a 4-year average of deliveries and Deer Island bases its quantity demand on a 6-year average of sludge production. All contracts scheduled to renew in fiscal year 2026 include a 10% price increase. Thus the rolling averages utilized in the budget process incorporate the supply chain shock to chemical prices experienced in fiscal years 2023 and 2024.

Price volatility

The global economy is currently experiencing high volatility in pricing due to the introduction of new tariffs and large increases in existing ones. This uncertainty presents a challenge to the budgeting process that may be felt for an extended period of time. A number of chemicals necessary for operations are vulnerable to supply chain disruptions in the absence of tariffs. As of this writing, chemicals that meet the United States-Mexico-Canada Agreement (USMCA) rules of origin are exempt from the 25% tariffs imposed by the United States on goods coming from Canada and Mexico.

The chart below displays the major chemicals utilized by the Authority and their supply chain vulnerability assessed by the EPA. Domestic production of Sodium Bisulfite and Hydrofluosilic acid is augmented by imports from China and India. Prices for these chemicals along with the Activated Carbon for Deer Island Treatment Plant being purchased under a 3-year contract from China could exceed budgeted estimates.

Chemical	Budget Amount	Supply Chain Vulnerability	Domestic Production %	Import Country
Sodium Hypochlorite	$ 6,347,729	moderate - high	70%	Canada
Soda Ash	$ 4,060,853	Very Low	100%	N/A
Ferric Chloride	$ 4,060,853	moderate	80%	Canada
Sodium Bisulfite	$ 856,471	moderate	70%	India/China
Hydrogen Peroxide	$ 803,941	Low	100%	Canada
Hydrofluosilic Acid	$ 563,870	moderate - low	50%	China
Polymer	$ 546,778	moderate - low	100%	India
Aqua Ammonia	$ 293,661	Low	70%	Canada

*Source = EPA 817-R-22-004 "Understanding Water Treatment Chemical Supply Chains and the Risk of Disruptions", 2022

Note on Spring Revisit

As part of the Spring Revisit, the Chemicals budget was updated to reflect revised pricing assumptions, operational requirements, and anticipated impacts from regulatory changes. The overall budget decreased by $795,748.
This decrease was driven by reductions to Sodium Hypochlorite (–$561,000) and Liquid Oxygen (–$118,000), based on favorable contract pricing.

Comment: The Advisory Board expects MWRA to update its chemical expenses in the final budget including:

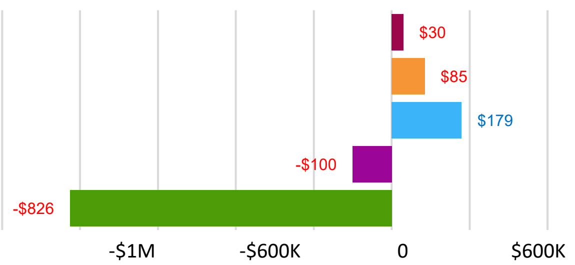
- *$561,000 decrease for Sodium Hypochlorite*
- *$118,000 decrease for Liquid Oxygen*

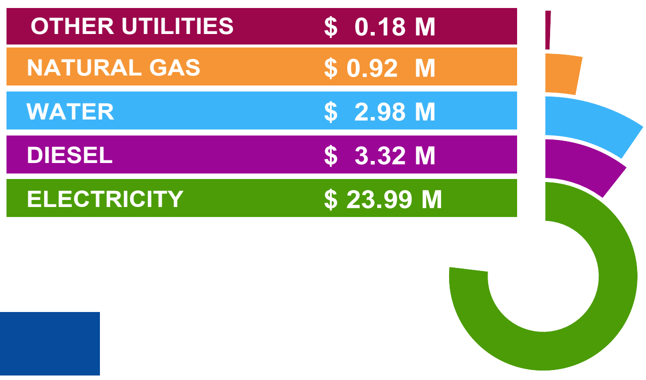
Proposed Fiscal Year 2026 CEB

Energy & Utilities

	BFY25 ($)	PFY26 ($)	Change ($)	Change (%)
ELECTRICITY	$ 24,818,936	$ 23,992,857	-$ 826,079	-3.3%
DIESEL	3,422,729	3,322,377	-100,352	- 2.9%
WATER	2,809,454	2,988,894	179,440	6.4%
NATURAL GAS	844,366	929,269	84,903	10.1%
ALL OTHER UTILITIES	152,691	182,727	30,036	19.7%
TOTAL ENERGY& UTILITIES	**$ 32,048,176**	**$ 31,416,124**	**-$ 632,052**	**- 2.0%**

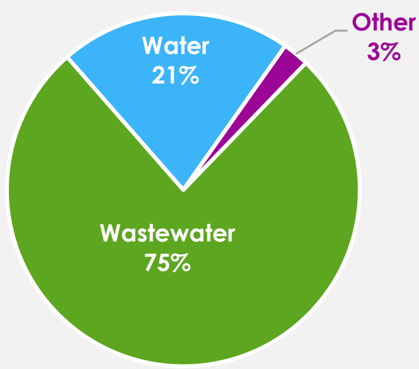
▲ from FY25 **PFY26 = $ 31.41 M**



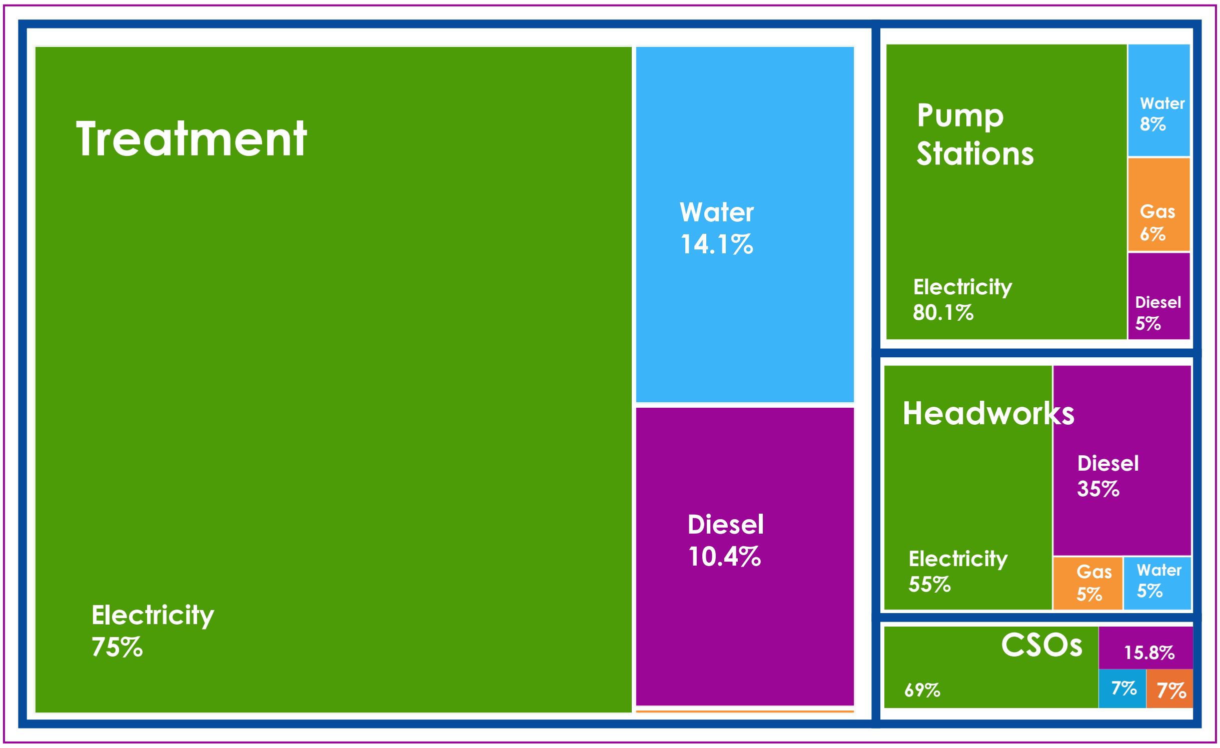


PFY26 Energy & Utilities Highlights	
Electricity	↓ 3.3% ($ 826K) Reduced costs driven by favorable pricing under the current supply contract, continued market monitoring, and lower-than-expected plant flows at Deer Island.
Diesel	↓ 2.9% ($ 100K) Decrease reflects reduced reliance on diesel following dual-fuel conversions at key facilities like Chelsea Creek Headworks and minimal generator testing needs.
Natural Gas	↑ 10.1 % ($ 84.9K) Despite conversions from diesel to gas, overall usage rose due to consistent heating needs and updated 3-year therm averages priced at $1.40/therm.
Water	↑ 6.4% ($ 179.4K) Increase tied to updated FY25 actuals and 3-year usage averages across multiple sites, especially for pump stations and administrative facilities.
Other Utilities	↑ 19.7% ($ 30K) Increase reflects varied small-scale utility costs, including modest fuel oil and propane use at remote or legacy sites, diesel exhaust compliance costs, reallocated utility fees, and limited gasoline reserves.

PFY26 Energy & Utilities by Utility



Energy & Utilities by Wastewater Facility Type



	Electricity	Natural Gas	Diesel	Water
Total Treatment	**13,186,838**	**61,170**	**1,838,601**	**2,476,158**
DITP	12,909,217		1,838,601	2,474,158
Clinton	277,621	61,170		2,000
Total Pump Stations	**1,935,559**	**156,233**	**129,433**	**195,041**
Braintree Weymouth IPS	516,694	67,684	16,000	39,722
New Neponset	130,835		40,083	
DeLauri	231,779		14,403	48,020
Hayes	82,521		11,155	35,335
Hingham	29,261		5,341	4,411
Caruso PS	261,551	15,496	6,400	23,435
Quincy	168,007	12,103	4,800	4,394
Framingham PS	108,651	6,950	3,840	12,612
Alewife Brook PS	152,206	7,997	3,200	16,120
Houghs Neck PS	14,500	2,191		226
Squantum	36,644	7,910		9,232
Braintree Weymouth RPS	154,356		24,211	858
Chelsea Screen House	48,554	35,902		676
Total Headworks	**1,709,230**	**159,727**	**1,040,342**	**157,022**
Nut Island	739,754		487,130	30,502
Columbus Park HW	220,326		290,214	57,974
Ward St HW	229,357		256,598	64,148
Chelsea Creek Headworks	519,793	159,727	6,400	4,398
Total CSO	**647,930**	**68,066**	**147,920**	**69,002**
Prison Point CSO Treat	128,143		93,562	20,220
Cottage Farm CSO	68,903		54,358	900
South Boston CSO	189,235	15,442		6,547
Somerville MarginalCSO Treat	67,792			
Union Park CSO Facility	193,857	52,624		41,335
Total Wastewater Utilities	**$ 17,479,557**	**$ 445,196**	**$ 3,156,296**	**$ 2,897,223**

Energy & Utilities

Overview

Energy and utility operations remain a major MWRA expense, reflecting the scale of its treatment and pumping systems. The proposed FY26 utility budget is $31.4 million, representing a 2.0% decrease from FY25. Electricity remains the largest component at $24.0 million, down 3.3% from the prior year. This decrease is primarily due to lower electricity pricing and the removal of interval renewable energy certificates (RECs), partially offset by increased usage volumes across several facilities. The diesel fuel budget is $3.3 million, a 2.9% reduction, reflecting lower prices at the Deer Island Treatment Plant (DITP) and Field Operations Department (FOD). These savings are partially offset by a $85,000 (10.1%) increase in natural gas costs, driven by higher pricing at FOD locations.

Deer Island remains MWRA's most energy-intensive facility, with electricity accounting for approximately 75% of its utility budget. In FY26, Deer Island's electricity budget is proposed at $12.91 million, a 3.1% decrease from the prior year, reflecting lower unit costs and adjustments in operational load. This trend aligns with the systemwide reduction in electricity costs, which are projected to decline by 3.3% Authority-wide. Under a new $18.4 million contract awarded in FY24, MWRA is upgrading its Combined Heat and Power (CHP) system at Deer Island. The new system is expected to double on-site generation capacity to 69.3 GWh per year, fully meeting the plant's thermal needs and reducing reliance on purchased electricity. The project also eliminates approximately 300,000 gallons of fuel oil annually. Diesel remains budgeted for turbine backup.

Water and diesel make up the remainder of Deer Island's utility budget at $2.47 million and $1.84 million, representing 14.3% and 10.6% of the facility's total, respectively. Water costs increased by approximately 5.3%, while diesel costs declined by 7.1%, reflecting operational adjustments and continued electrification of systems. Combined, Deer Island's total utility budget is proposed at $17.22 million in FY26, a 2.4% decrease from the FY25 budget.

Other facilities show distinct shifts. Clinton's FY26 utility budget rises 10.4% to $344,391, with electricity up 6.4% and gas increasing 34.5%, largely due to winter heating needs. Metropolitan Operations decreases 9.9% to $3.02 million, reflecting a 10.4% drop in electricity based on updated usage assumptions. Western Operations increases 7.8% to $3.65 million due to higher electricity and propane use, with propane alone up 26.5%.

Water Redundancy utilities increase by $11,600 (68.2%), from $17,000 to $28,600, driven by growth across multiple utility lines. SCADA utilities rise by $6,232 (7.9%), from $79,315 to $85,547, reflecting expanded electricity use. Laboratory Services utilities increase by $8,558 (14.3%), from $60,055 to $68,613, due to the inclusion of a natural gas line and adjustments for gases and cryogenic liquids based on a three-year average. Administrative and Management utilities fall by $271,143 (32.7%), from $828,234 to $557,092, including a $281,147 (37.2%) drop in electricity costs based on historical usage and lease allocations. Water costs for this group rise by $11,151 (33.6%), while natural gas declines modestly.

Other notable utility budgets include Chelsea Creek Headworks at $519,793 for electricity, $159,727 for gas, and $6,400 for diesel; and John Carroll Water Treatment Plant (JCWTP) with $2.49 million in electricity and $283,689 in natural gas. JCWTP participates in demand response and cogeneration programs that help offset energy costs. Additional budgets include $123,369 for Chelsea Maintenance and $8,408 for Weston Reservoir.

Systemwide, electricity remains the Authority's dominant utility cost. Natural gas and diesel expenses continue to vary based on seasonal demand and operational needs, while water remains a critical but comparatively smaller utility expense. Utility forecasts rely on 3- to 4-year usage averages and fixed-rate electricity contracts based on facility load profiles, alongside an assumed natural gas price of $1.40 per therm.

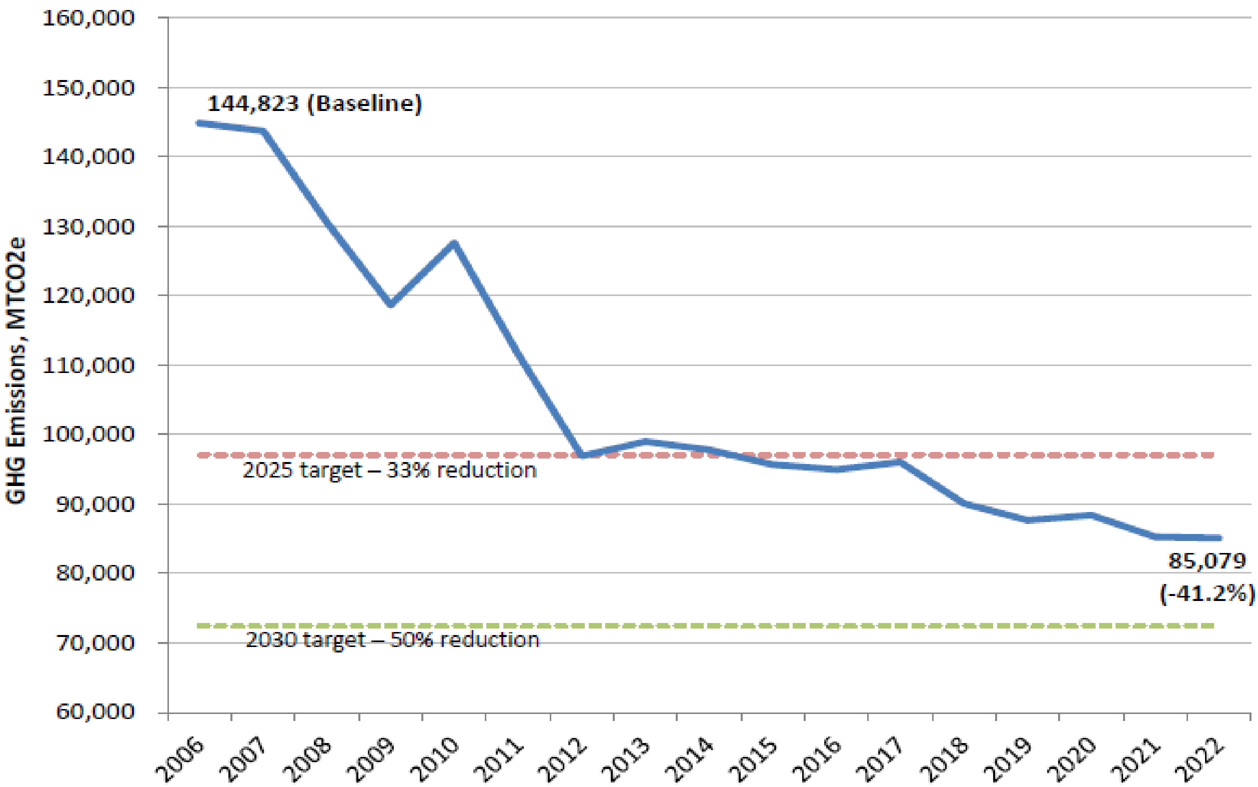
Note on Spring Revisit

Following updated energy forecasts in the Spring Revisit, Energy and Utilities increased by approximately $2.16 million. This reflects higher electricity costs (+$2.1 million) and natural gas (+$63,000) based on updated pricing. The revised total is approximately $33.6 million, with $25.6 million for Sewer and $7.9 million for Water.

Comment: The Advisory Board expects MWRA to update its utility expenses in the final budget including:

- *$2.1 million increase for Electricity*
- *$63 thousand increase for Natural Gas*

MWRA Greenhouse Gas (CO2) Emissions 2006-2022



Future Efficiency & Decarbonization Projects

New DITP – Combined Heat Power (CHP) system		
	Projected Energy consumption Reductions	Projected GHG Reductions
Fuel oil reductions	300,000 gal per year	3,000 metric tons per year
Purchased Electricity	38.8 GWh per year	9,800 metric tons per year

Heat Pump Design & Installations:

- Projects at Newton St, Neponset, Wachusett, Ward St, Columbus Park
- **Contract re-bid in FY26** due to state cost cap limits (DCAMM)
- New sites scoped: Hough's Neck, Squantum, Quincy, Belmont, Arlington
- Columbus & Ward St: dual-fuel (Electric/Natural Gas, 60/40)

Solar Installations:

- Norumbega: 4–5 MW planned; interconnection capped (~200 kW–1.2 MW)
- DITP Parking Lot Canopy & Roof (~2 MW) – "behind the meter"
- Legislation passed (HB 4967) to enable Norumbega siting
- DOER SMART incentives & LOIs in progress

Electric Vehicles & Charging Stations:

18 vehicles in fleet (goal: +10)
Chelsea: 15 L2 + 5 DCFC via Eversource Make Ready (FY25 install)
DITP: DCFC + solar canopy, targeting MassDEP EVIP grant
Southborough: Reapplying for DOER LBE funding
Employee charging policy in development

Energy Efficiency & Decarbonization

MWRA continues to expand its energy efficiency programs and renewable energy generation portfolio. In 2023, the Authority produced 57,252 MWh of renewable electricity, consuming 36,189 MWh on site and avoiding an estimated 15,236 metric tons of CO_2e emissions. Deer Island's steam turbines were the strongest contributor, generating over 15,000 MWh in FY25 to date—far outperforming solar, wind, and hydroelectric assets, which faced ongoing outages and maintenance constraints.

Major solar projects are advancing, including a 1–2 MW canopy and roof-mounted array at Deer Island and a 4–5 MW ground-mounted installation at Norumbega. These efforts are supported by a $20 million Climate Protection and Mitigation Trust grant from MassDEP, which also funds the replacement of Wind Turbine #1 and electrification upgrades at multiple sites.

MWRA is piloting battery storage systems at the Chelsea Administration Building and Brattle Court Pump Station to reduce peak demand and diesel generator reliance. A large-scale battery storage system for Deer Island is under active study, supported by a $150,000 grant from DOER's Leading by Example program. Heat pumps are being installed at Norumbega, Chelsea Admin, Wachusett Dam Gate House, and Newton Street Pump Station, with additional feasibility audits underway. Design plans at Columbus Park and Ward Street Headworks include air source heat pumps and elimination of diesel heating systems.

The new Combined Heat and Power (CHP) system at Deer Island, currently in design, is expected to more than double current generation to approximately 69 GWh/year, supplying up to 75% of the facility's electricity and reducing fuel oil usage by 75%. The expansion is projected to reduce emissions by an additional 12,800 metric tons annually.

MWRA continues to participate in grid-based demand response programs. In FY24, the Authority earned more than $1.55 million through demand-side reductions at Deer Island and other sites, including $46,000 during a single July 2024 event with Eversource. While past investments included voluntary Renewable Energy Credit (REC) purchases, MWRA has ended this practice in order to direct more resources toward on-site generation and emissions mitigation.

MWRA's electric vehicle fleet now includes 24 fully electric vehicles, supported by 16 installed chargers and 60 additional ports in development. Chargers will also be made available to employees at cost.

Greenhouse gas emissions have declined by 41% from 2006 levels, surpassing the Commonwealth's 2025 target. The agency has adopted a $125 per metric ton social cost of carbon to guide capital planning and remains on track to achieve net-zero emissions by 2050 through continued investments in electrification, renewables, battery storage, and demand-side strategies.

The MWRA Advisory Board commends the Authority's continued leadership in energy efficiency and decarbonization. With large-scale investments underway, including CHP expansion, solar, battery storage, and fleet electrification, MWRA is embedding sustainability across its operations. The adoption of a social cost of carbon and deepened participation in demand-side strategies position MWRA as a climate-resilient public utility leader.
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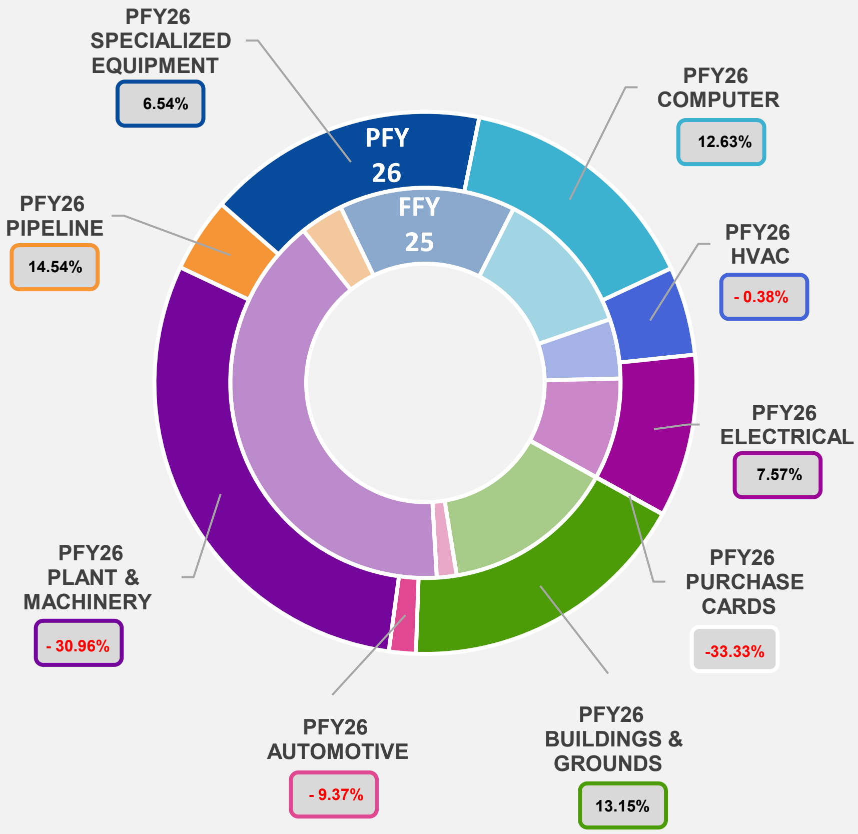
Proposed Fiscal Year 2026 CEB

Maintenance

	Final FY25	Proposed FY26	Change ($)	Change (%)
BUILDINGS & GROUNDS	$6,708,601	$7,591,136	882,535	13.16
AUTOMOTIVE	$765,500	$693,750	(71,750)	(9.37)
PLANT & MACHINERY	$18,742,410	$12,939,456	(5,802,954)	(30.96)
PIPELINE	$1,678,105	$1,922,057	243,952	14.54
SPECIALIZED EQUIPMENT	$6,814,299	$7,259,809	445,510	6.54
COMPUTER	$5,721,101	$6,443,492	722,391	12.63
HVAC	$2,300,347	$2,291,647	(8,700)	(0.38)
ELECTRICAL	$3,907,838	$4,203,488	295,650	7.57
PURCHASE CARDS	$15,000	$10,000	(5,000)	(33.33)
TOTAL MAINTENANCE	**$46,653,201**	**$43,354,835**	**-3,298,366**	**-7.07%**

Maintenance Expenses: FFY25 to PFY26



PFY26 Maintenance Expense Highlights	
Buildings & Grounds	↑ 13.15% ($882K)
Automotive	↓ 9.37% (-$72K)
Plant & Machinery	↓ 30.96% (-$5.80M)– includes repairs and services on DITP machinery
Pipeline	↑ 14.54% ($244K)
Specialized Equipment	↑ 6.54% ($446K) includes service contracts and upgrades to PICS
Computer	↑ 12.63% (722K)
HVAC	↓ 0.38% (-$9K)
Electrical	↑ 7.57% ($296K)
Purchase Cards	↓ 33.33% (-$5K)

Maintenance

Overview

The proposed FY26 budget allocates $43.35 million to Maintenance, marking a decrease of $3.3 million (-7.07%) from the FY25 total of $46.65 million. This shift represents a recalibration of spending after a year of heightened investment in capital-intensive areas such as machinery and fleet management. Maintenance funding mainly supports the day-to-day upkeep of MWRA's critical physical assets, ranging from facilities and pipelines to IT infrastructure and plays a central role in sustaining operational reliability and regulatory compliance.

The most significant reduction appears in Plant & Machinery, which falls by $5.8 million (-30.96%) compared to FY25. This sharp decline follows a peak in FY25 investments, including major overhauls, preventive maintenance cycles, and one-time upgrades on core systems. The drop likely signals the completion of scheduled servicing on high-impact equipment at facilities like the Deer Island Treatment Plant (DITP) and represents a shift from capital investment back to baseline operational support. Similarly, Automotive expenditures decrease by $71,750 (-9.37%).

In contrast to these reductions, several areas receive increased funding in FY26, reflecting targeted reinvestments and system and modernization. Computer-related costs rise by $722,391 (12.63%), reinforcing MWRA's ongoing transition to digitalized infrastructure and remote monitoring systems. Similarly, pipeline maintenance funding increases by $243,952 (14.54%), a proactive move to sustain underground assets as they age and regulatory requirements around inspection and leak detection become more stringent. In addition, Specialized Equipment receives an additional $455,510 (6.54%).

Buildings & Grounds shows one of the most prominent increases, rising by $882,535 (13.16%) from FY25. This change likely reflects both cost escalation in building materials and labor, as well as strategic reinvestment in facilities across the system. Enhancements in this area may also reflect compliance upgrades tied to accessibility, safety, or environmental performance.

Other categories remain relatively flat. HVAC costs are mainly unchanged (-$8,700 or -0.38%), indicating steady performance and maintenance of heating and cooling systems already upgraded in prior years. Meanwhile, electrical costs tick upwards by $295,650 (7.57%). Together, these line items reflect consistent attention to environmental control and energy resilience.

In total, the FY26 Maintenance budget reflects a balancing act: scaling back in areas where recent capital investment cycles have ended, while selectively increasing funding in categories that underpin modernization, system efficiency, and asset longevity. Despite the net reduction, the budget reinforces MWRA's long-term strategy of maintaining a robust, responsive, and safe infrastructure network.

Note on Spring Revisit

Following updated cost estimates in the Spring Revisit, the Maintenance budget increased by **$267,832**, bringing the revised total to **$43.6 million**. This includes a **$1.49 million increase on the Sewer side**, partially offset by a **$1.22 million reduction on the Water side**, reflecting refined projections and reallocated resources.

Comment: The Advisory Board expects MWRA to update its maintenance expenses in the final budget including:

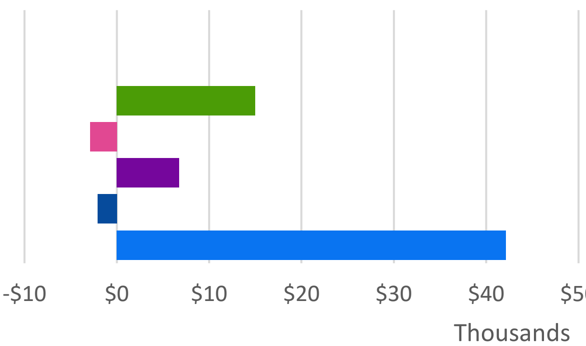
- *$1.49 million increase for Sewer Maintenance*
- *$1.22 million decrease for Water Maintenance*
- *$268 thousand net increase for Maintenance overall*

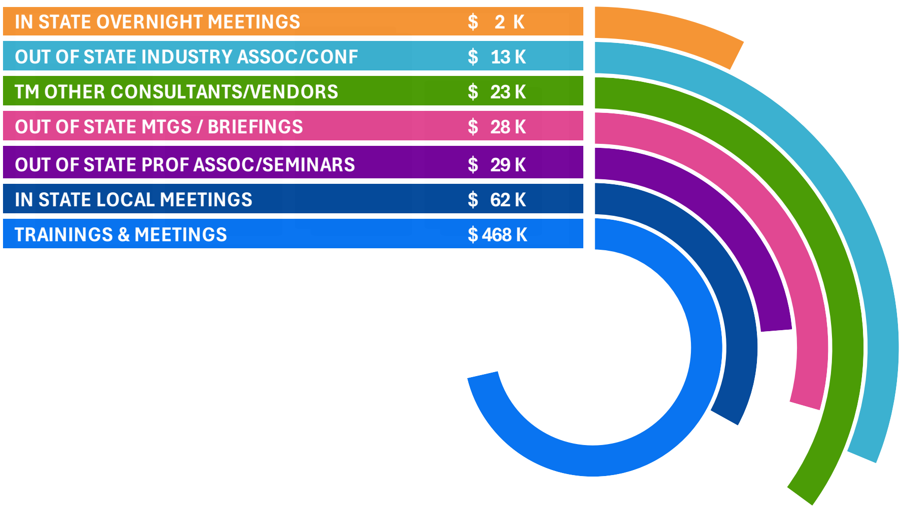
Proposed Fiscal Year 2026 CEB

Training & Meetings

	Final FY25	Proposed FY26	Change ($)	Change (%)
TRAININGS & MEETINGS	$425,777	$ 467,926	$42,149	9.9%
OUT OF STATE MTGS / BRIEFINGS	13,140	28,140	15,000	114.2%
OUT OF STATE PROF ASSOC/SEMINARS	22,969	29,715	6,746	29.4%
OUT OF STATE INDUSTRY ASSOC/CONF	16,600	13,700	-2,900	-17.5%
IN STATE OVERNIGHT MEETINGS	2,225	2,225	-	-
IN STATE LOCAL MEETINGS	63,985	61,885	-2,100	-3.3%
TM OTHER CONSULTANTS/VENDORS	23,650	23,650	-	-
TOTAL TRAININGS & MEETINGS	**$ 568,346**	**$ 627,241**	**$ 58,895**	**10.4%**

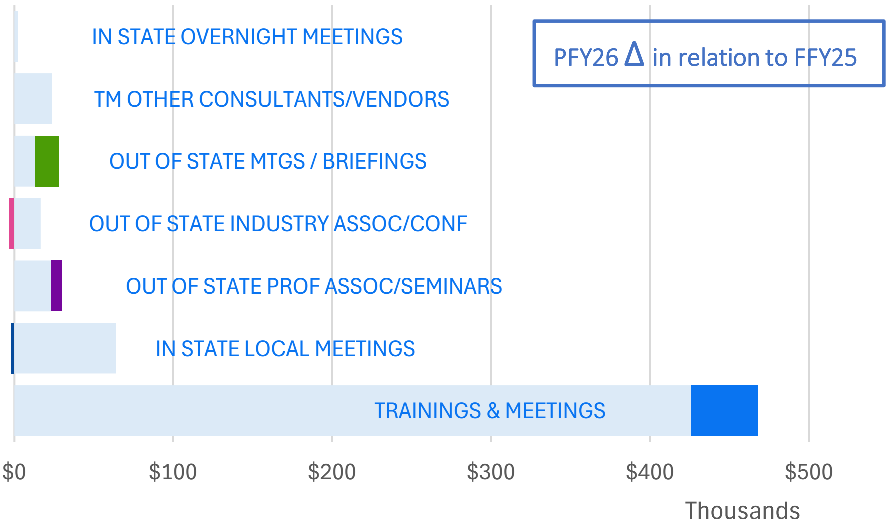
▲ from FFY25 **PFY26 ⇧ $ 0.58 M**





PFY26 Trainings & Meetings Expense Highlights

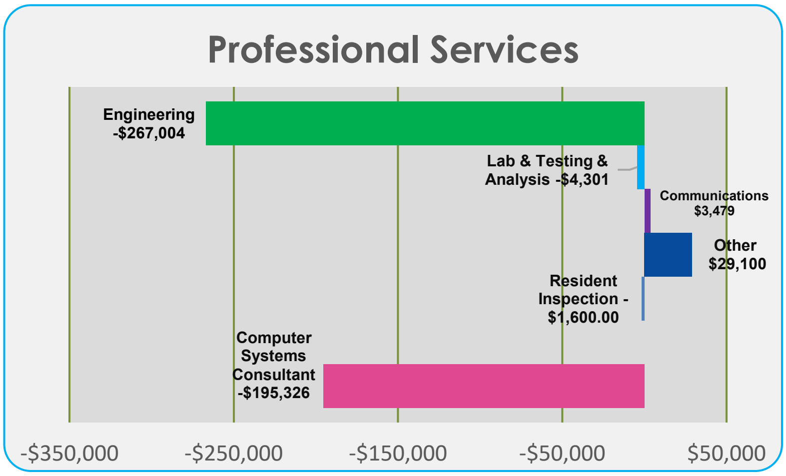
Trainings & Meetings	↑ 9.9% ($42K)
Out of State Mtgs/Briefings	↑ 114.2% ($15K)
Out of State Prof Assoc/Seminars	↑ 29.4% (6.7K)
Out of State Industry Assoc/Conf	↓ 17.5% (-$2.9K)
In State Overnight Mtgs	- No change from FFY25
In State Local Mtgs	↓ 3.3% (-$2.1K)
TM other Consultants / Vendors	- No change from FFY25

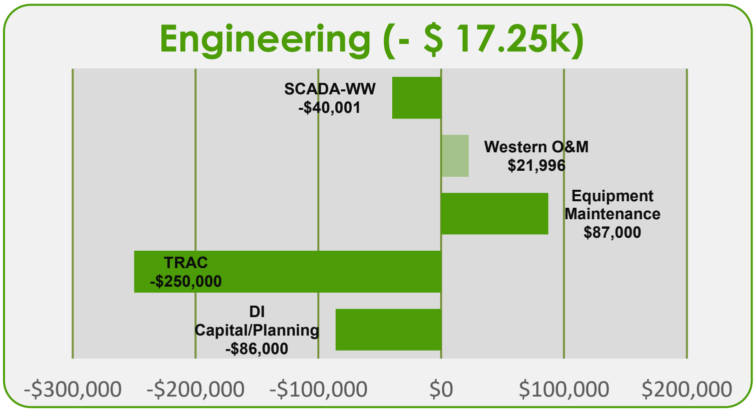


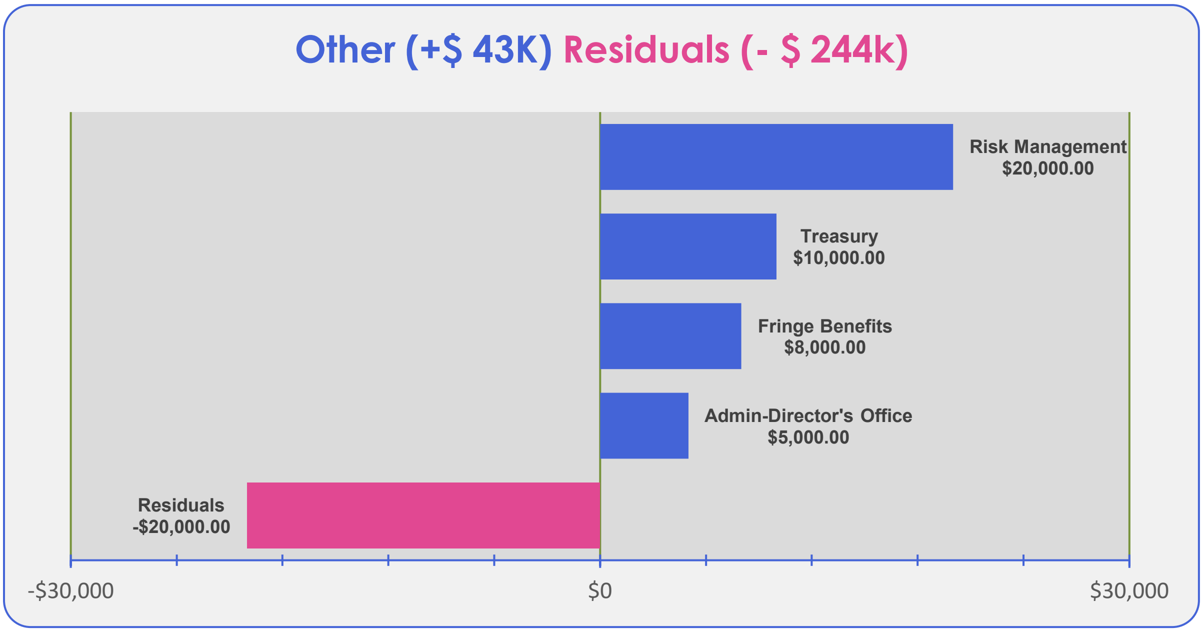
Proposed Fiscal Year 2026 CEB

Professional Services

PFY26 Indirect Expense Highlights	
Engineering	↓ 34% (–$267K) as major design work wraps up.
Security	Level at ~$2.95M. Maintains facility coverage.
Communications	↑ 1.6% (+$3K) for web accessibility and outreach.
Legal	Unchanged ($807K). Supports permitting and litigation.
Resident Inspections	↓ ~3% (–$1.6K). Fewer construction support needs.
Lab / Testing / Analysis	Flat (~$2.23M). Sustains PFAS, molybdenum, and algae monitoring.
Other	↑ 1.2% (+$29K) for technical and regulatory consulting.
Construction Services	Flat at $4K. Minor placeholder.
Computer System Consultant	↑ 2.9% (+$45K) for SCADA and enterprise upgrades.







Professional Services

Overview

The Proposed FY26 budget allocates $10.93 million to Professional Services, a modest reduction of $195,326 (–1.8%) from FY25. This category supports a broad range of external expertise, including engineering, legal, laboratory, and IT consulting, used to augment MWRA staff across both core operations and major infrastructure projects.

The most significant change is a $267,004 reduction in Engineering Services (–34.4%), attributed to the completion of the Boston Harbor NPDES Permit Local Limits work in FY25. This decline reflects a typical pattern as major design efforts wrap up, particularly in projects such as the Clarifier Rehabilitation at Deer Island or planning phases of the Metropolitan Water Tunnel Program, where in-house engineering staff and construction-phase contracts can assume greater responsibility. Similarly, Resident Inspection services, typically involving third-party field engineers, are zero-funded in several departments in FY26.

Lab Testing & Analysis holds steady at approximately $2.23 million, with $187,000 earmarked for PFAS-related testing using EPA Method 1633. This contingency funding will be used only if in-house laboratory capacity is exceeded, supporting MWRA's monitoring of PFAS waste, algae blooms, molybdenum, and compliance with evolving NPDES permit standards.

Spending on Computer Systems Consultants increases by $45,000 (+2.9%), continuing MWRA's investment in SCADA modernization, enterprise content management, and cybersecurity preparedness. One such cybersecurity contract funded under Professional Services supports MWRA's Cybersecurity Risk Assessment and Policy Guidance, with plans to renew in FY26.

Legal services remain flat at $807,150, ensuring capacity to address PFAS litigation, permitting issues, and contract support, while Audit Services are also level-funded at $160,000.

A small increase of $3,479 supports enhanced communications and digital outreach, reinforcing MWRA's efforts to engage communities facing regulatory changes such as the revised Lead and Copper Rule. Meanwhile, Security Services remain the single largest item in this category at $2.95 million, flat from FY25, maintaining coverage at Deer Island, Carroll Water Treatment Plant, and the Chelsea campus.

Note on Spring Revisit

As a result of the Spring Revisit, the Professional Services budget increased by approximately $376,000, rising from $10.93 million to $11.30 million. The increase includes approximately $280,000 on the Sewer side and $97,000 on the Water side. This adjustment is driven by higher anticipated costs for Computer Systems Consulting ($285,000) and Legal Services ($150,000).

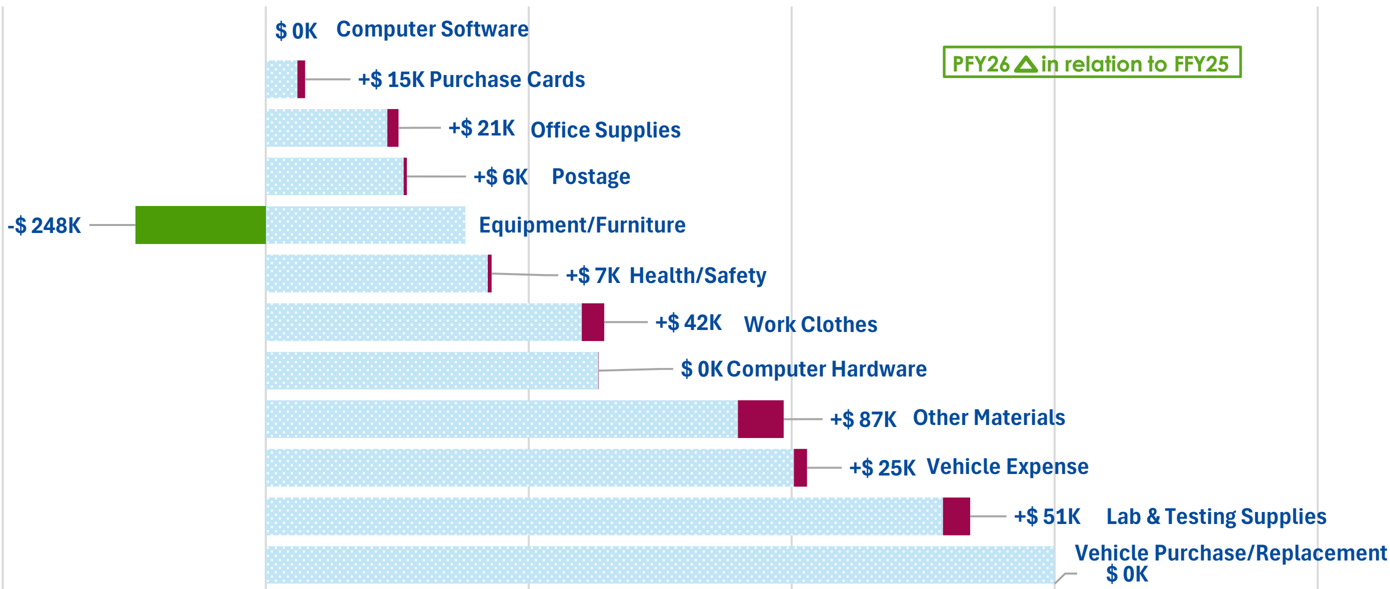
Comment: The Advisory Board expects MWRA to update its Professional Services budget to reflect Spring Revisit adjustments, including:

- *$279,660 increase on the Sewer side*
- *$96,639 increase on the Water side*
- *$376,299 net increase Authority-wide*

Proposed Fiscal Year 2026 CEB

Other Materials

	FFY25	PFY26	Change ($)	Change (%)
OFFICE SUPPLIES	209,521	230,951	21,430	10.2%
POSTAGE	255,961	262,140	6,179	2.4%
LAB & TESTING SUPPLIES	1,236,322	1,287,686	51,364	4.2%
HEALTH/SAFETY	415,179	422,336	7,157	1.7%
EQUIPMENT/FURNITURE	**627,600**	**379,600**	**(248,000)**	**-39.5%**
VEHICLE PURCHASE/REPLACEMENT	1,500,000	1,500,000	-	0.0%
WORK CLOTHES	558,950	601,150	42,200	7.5%
VEHICLE EXPENSE	979,480	1,004,296	24,816	2.5%
OTHER MATERIALS	**810,002**	**897,407**	**87,405**	**10.8%**
COMPUTER HARDWARE	632,000	632,300	300	0.0%
COMPUTER SOFTWARE	-	-	-	0.0%
PURCHASE CARDS	45,864	60,500	14,636	31.9%
TOTAL EXPENSES	**$ 7,270,879**	**$ 7,278,366**	**$ 7,487**	**0.1%**



PFY26 Other Materials Expense Highlights

Equipment & Furniture	↓$248k, primarily due to completion of OCC renovation ($150k) and replacement of cubicles at DITP in FY 25 .	Other Materials	↑ $87k , rising trend in costs and replacement gas meter and a new oil boom.
Lab & Testing Materials	↑$51k due to a rising trend in the 3-year average cost	Work Clothes	↑$42k, for new hires in the Engineering and Construction department, per union contracts and new apparel for the regulatory unit of Operations Administration.

Other Materials

Overview

The Other Materials category in the proposed Fiscal Year 2026 budget reflects an overall increase of $7,487 which represents a 0.1% increase year over year. Other Materials is the second smallest direct expense category. In the proposed fiscal year 2026, Other Materials saw the smallest change year over year.

The Equipment and Furniture subcategory decreased $248,000, a 39.5% decrease, due primarily to the prior year expenses associated with renovation of the Chelsea Operation and Control Center and cubicle replacements at Deer Island.

Other Materials increased 10.8% ($87,405). While expenses for this cost center decreased in most departments, Planning requires a replacement gas meter and new oil boom.

Work Clothes increased 7.5% ($42,200) and relates to new hiring in the Engineering & Construction department, union contracts and new apparel for the regulatory unit of Operations Administration.

Postage increased $6,179 or 2.4% year over year due to an upward trend in costs associated with the federally mandated mailing of the Consumer Confidence Report over the last three years.

Note on Spring Revisit

Following the Spring Revisit, Other Materials increased by $382,341, bringing the revised total to $7,660,707. This reflects an increase of $272,866 on the Sewer side (to $4,399,204) and $109,475 on the Water side (to $3,261,503). The change is primarily driven by updated projections for computer hardware, which added approximately $375,000 to the budget.

Comment: The Advisory Board expects MWRA to update its Other Materials expenses in the final budget, including:

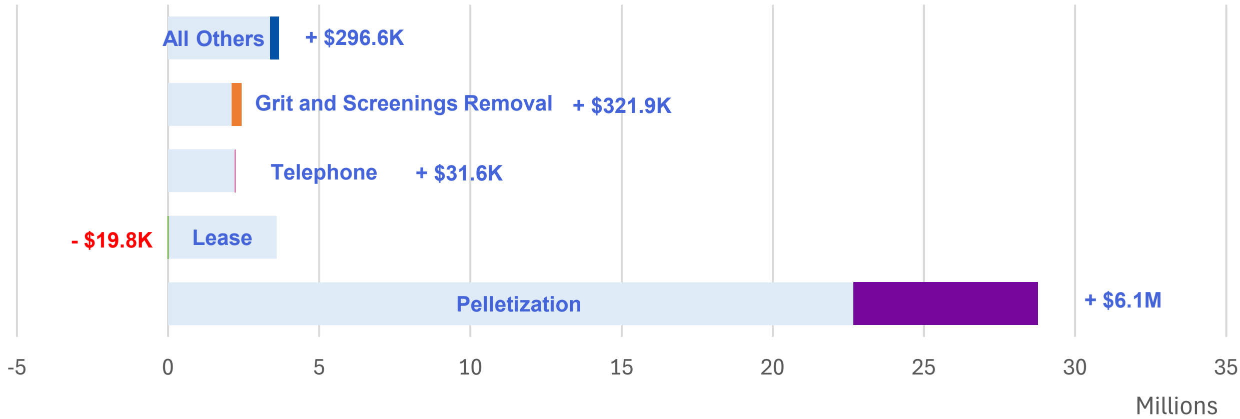
- *$272,866 increase for Sewer*
- *$109,475 increase for Water*
- *$382,341 increase overall*
- *Increase driven by Computer Hardware (+$375K)*

Proposed Fiscal Year 2026 CEB

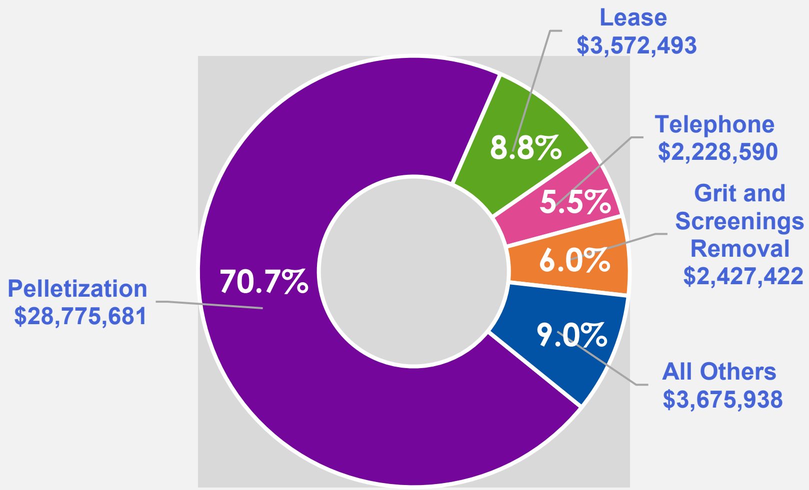
Other Services

	Budget FY25	Proposed FY26	Change ($)	Change (%)
PELLETIZATION	$ 22,671,680	$28,775,681	$6,104,001	26.9%
LEASE	3,592,286	3,572,493	-19,793	-0.6%
TELEPHONE	2,196,984	2,228,590	31,606	1.4%
GRIT & SCREENINGS	2,105,500	2,427,422	321,922	15.3%
ALL OTHERS	3,379,354	3,675,938	296,584	8.8%
TOTAL OTHER SERVICES	**$ 33,945,804**	**$ 40,680,124**	**$ 6,734,320**	**19.8%**

PFY26 change in Relation to FY25



PFY26 Other Services



PFY26 Other Services Expense Highlights

Pelletization	↑ 26.9% ($6.0M) – Increase reflects inflation under Contract S592 and a $6M contingency for landfill disposal if PFAS restrictions tighten.
Lease	↓ 0.6% ($19.8K) – Driven by an $87K Chelsea lease drop, partially offset by increases for the Rock Core Shed and NStar parcel.
Telephone	↑ 1.4% ($29K) – Increase due to telecom upgrades and SCADA/field connectivity.
Grit & Screenings Removal	↑ 15% ($322K) – Based on 5,243 tons and pricing increase under Contract S612 expiring July 2025.

Other Services

Overview

The MWRA's Proposed FY26 budget for Other Services totals $40,680,124, an increase of $6,734,320 (19.8%) over the FY25 budget of $33,945,804. The primary driver is a $6,104,001 (26.9%) increase in Sludge Pelletization, which rises to $28,775,681. This includes $6,000,000 for potential PFAS-related landfill disposal in the second half of the fiscal year, replacing a $1,200,707 contingency in FY25. The remaining growth reflects inflation adjustments under Contract S592, which began in January 2024. The contract assumes 99.1 tons per day, with $22,400,000 budgeted for fixed costs and $3,541,000 for excess volume.

Grit & Screenings Removal increases by $321,922 (15.3%), from $2,105,500 to $2,427,422, based on projected tonnage and a 15% contract rate increase expected when Contract S612 expires in July 2025.

Telephone spending increases by $29,256 (1.3%), from $2,196,984 to $2,226,240, driven almost entirely by a $65,397 increase in SCADA Water/Wastewater. Smaller increases in Toxic Reduction and Control and Administrative & Management are largely offset by reductions in Western Operations (−$31,712) and Wastewater Operations (−$14,427), with minor changes elsewhere. Overall, the budget remains stable, with targeted adjustments in a few operational areas.

Health & Safety spending increases by $31,949 (12.5%), from $256,551 to $288,500. Most of this increase is budgeted within the Occupational Health & Safety program, which includes $85,000 for general safety equipment, along with funding for fire extinguisher servicing, AED maintenance, personal protective equipment (PPE), and SCBA compliance.

Permit Fees rise by $13,857 (11.2%), from $123,273 to $137,130, due to permit renewals and account realignments across several departments. Deer Island budgets $50,000 for NPDES, hazardous waste, and air quality fees. Western Operations increases by $7,000, from $18,000 to $25,000. Metro Maintenance adds $5,462 for a railroad crossing permit. Residuals increases by $3,355, from $3,985 to $7,340. Other increases include Clinton (+$2,240), Metro Water (+$4,100), and Chelsea Facilities (+$900). The only reduction is in Wastewater Operations, down $775.

Police Details increase by $54,267 (10.2%), from $529,720 to $583,987, largely to support fuel deliveries at Deer Island. Additional increases include $42,000 (60.0%) for Metro Pipe Maintenance, now at $112,000, and $12,267 (13.9%) for SCADA Water/Wastewater, now at $100,803.

Space Lease & Rentals decreases slightly by $19,793 (0.6%), from $3,592,286 to $3,572,493. While lease costs rise in several areas—including a $43,000 increase for the Rock Core Shed and $13,155 for the NStar parcel at Chelsea—these are offset by reductions elsewhere, most notably the Chelsea facility lease, which drops by $75,000.

Moving & Freight increases by $5,637 (2.9%), from $194,319 to $199,956, reflecting expanded courier use in Laboratory Services and fewer in-person sample deliveries to Quabbin.

Other notable changes include a $137,988 (13.2%) increase in Other Services, now at $1,184,505, which supports hazardous waste disposal, lab linens, and vessel maintenance; and a $32,032 (3.7%) increase in Memberships, Dues & Subscriptions, which now total $897,535.

Note on Spring Revisit

The Other Services line item rose slightly by approximately $167,600 after the Spring Revisit. While Sludge Pelletization costs were reduced by $1.9 million, those savings were offset by increases in Grit & Screenings Removal (+$320K) and the Chelsea Creek Dredging project (+$200K), yielding a final total of approximately $40.7 million.

Comment: The Advisory Board expects MWRA to update its Other Services budget to reflect Spring Revisit adjustments, including:

- *$1,763,812 decrease on the Sewer side*
- *$167,599 increase on the Water side*
- *$1,596,213 net decrease Authority-wide*

Proposed Fiscal Year 2026 CEB

Indirect Expenses

	FY25 ($ M)	PFY26 ($ M)	Change ($ M)	Change (%)
MITIGATION PAYMENTS	$ 1.82	$ 1.86	$ 0.04	2.5%
ADDITIONS TO RESERVES	1.90	1.76	-0.14	-7.4%
OTHER POST-EMPLOYMENT BENEFITS (OPEB)	5.28	5.34	0.06	1.3%
INSURANCE	4.47	5.07	0.603	13.5%
HEEC PAYMENTS	8.18	6.80	-1.37	-16.8%
PENSION	21.26	24.09	2.83	13.3%
WATERSHED REIMBURSEMENTS	32.5	35.1	2.6	8.0%
TOTAL INDIRECT EXPENSES	**$ 75.43**	**$ 80.07**	**$ 4.63**	**6.2%**

Pension ↑ $ 2.83 M

OPEB ↑ $ 0.06 M

Insurance ↑ $ 0.6 M

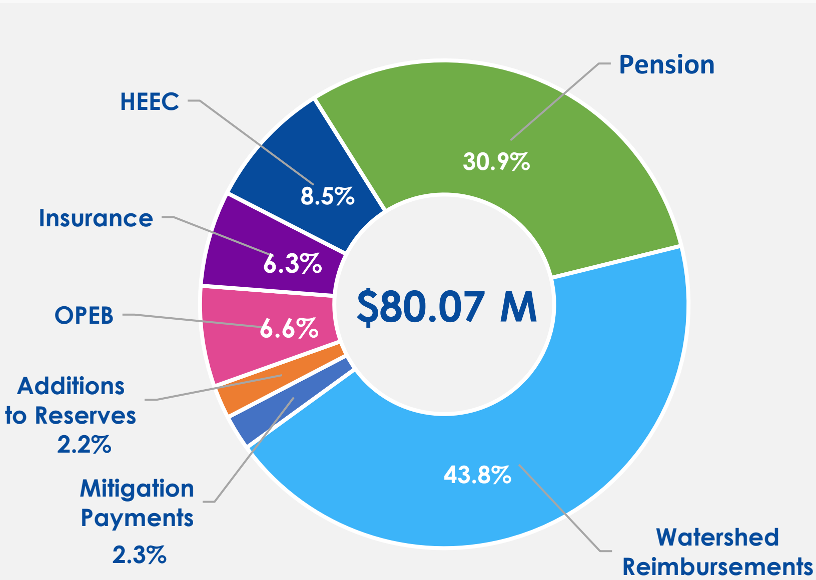
Additions to Reserves ↓ $ 0.14 M

HEEC ↓ $ 1.37 M

Watershed Reimbursements ↑ $ 2.6 M

Mitigation Payments ↑ $ 0.04 M

PFY26 Indirect Expenses



PFY26 Indirect Expense Highlights	
Pension	↑ 13.3% (+$2.83M) to support 2030 full funding target.
OPEB	↑ 1.3% (+$60K) due to updated benefit assumptions.
Insurance	↑ 13.5% (+$600K) from higher premiums.
Additions to Reserves	↓ 7.4% (–$140K) after one-time FY25 shift to Pension.
HEEC	↓ 16.8% (–$1.37M) per updated payment schedule.
Watershed	↑ 8.0% (+$2.6M) from wage and benefit growth.
Mitigation Payments	↑ 2.5% (+$40K) for Quincy & Winthrop per agreement.

Indirect Expenses

Overview

MWRA's proposed FY26 Current Expense Budget (CEB) increases Indirect expenses by 6.2%, rising from $75.43 million in FY25 to $80.07 million in FY26. The most significant change is a $2.83 million (13.3%) increase in pension contributions, bringing the total to $24.09 million. This continues MWRA's strategy to meet its 2030 full funding target, reinforcing its commitment to long-term pension sustainability.

Watershed reimbursements are projected to increase by 8.1%, or $2.63 million, reaching a total of $35.12 million in FY26. This reflects a rise in operating expenses of $2.06 million (8.3%), driven by increased wages, fringe benefits, and general operations. Payment in Lieu of Taxes (PILOT) to watershed communities will increase by $500,000 (5.6%), bringing the PILOT total to $9.4 million. The Watershed Capital Budget, newly formalized in FY26, includes an additional $2.12 million, up 27.6% from the prior year.

Watershed Reimbursement				
Categories	**FY25 Budget**	**FY26 Proposed Draft**	**Δ ($s)**	**Δ (%)**
Operating Expenses	$24,692,642	$26,728,900	$2,055,259	8.3%
Debt Service	0	0	$0	0.0%
Payment in Lieu of Taxes (PILOT)	8,900,000	9,400,000	500,000	5.6%
SUBTOTAL (Expenses)	$33,592,642	$36,128,900	$2,555,259	7.6%
Revenue	1,085,000	1,010,000	-75,000	-6.9%
TOTAL (Revenue Deducted)	$32,507,642	$35,118,900	$2,630,259	8.1%
Proposed Watershed Capital Budget				
A capital budget has been proposed for the watershed beginning formally in FY26. This is separate from the Watershed Division's operating budget.				
Capital Projects	1,659,050	2,117,500	458,450	27.6%
TOTAL	**$34,166,692**	**$37,236,400**	**$3,069,709**	**9.0%**

Watershed Revenues				
Categories	**FY25 Budget**	**FY26 Proposed Draft**	**Δ ($s)**	**Δ (%)**
Hydro & Transmission	$700,000	$600,000	-$100,000.00	-14.29%
Fishing & Recreation	175,000	200,000	$25,000	14.29%
Forestry	200,000	200,000	$0	0.00%
Miscellaneous	10,000	10,000	$0	0.00%
TOTAL	**$1,085,000**	**$1,010,000**	**-$75,000**	**-6.91%**

These reimbursements are offset by projected watershed revenues of $1.01 million, a 6.9% decrease from FY25. The drop is primarily due to a $100,000 reduction in Hydro & Transmission revenues. Revenues from Fishing & Recreation are expected to increase by $25,000, while Forestry revenue remains flat at $200,000. Miscellaneous revenue is reduced slightly. The combination of rising costs and reduced revenues results in a higher net watershed reimbursement total.

Insurance expenses are projected to increase by 13.5%, or $603,000, to $5.07 million, driven by rising premiums. OPEB (Other Post-Employment Benefits) costs will rise slightly by 1.3%, or $68,000, reaching $5.35 million due to updated actuarial assumptions.

HEEC (Harbor Electric Energy Company) payments are expected to decrease by 16.8%, or $1.38 million, to $6.81 million. The reduction reflects lower projected costs in this line item relative to the prior year.

Additions to Reserves decline by 7.4%, or $140,000, to $1.76 million, aligning more closely with FY25's level after a one-time spike in FY24.

Finally, mitigation payments to Quincy and Winthrop will rise modestly by 2.5%, or $46,000, to $1.87 million, in accordance with long-term host community agreements.

Pension at the MWRA

Why the Pension System Matters

The MWRA pension system is a critical component of the organization's long-term financial planning, aimed at ensuring that sufficient funds are available to meet its retirement obligations. The overarching goal is to fully fund the pension system by 2030, as required by Massachusetts General Law Chapter 32, Section 22D, which mandates that public pension systems adopt a funding schedule to eliminate unfunded liabilities within a specified timeframe.

Constraints and Strategies

This 2030 target is reinforced by Section 22F of the same statute, which imposes strict constraints if a system seeks to extend its funding schedule beyond that date. Specifically, annual amortization payments may not increase by more than 4%, and contributions in any year must not fall below the previous year's level. These guardrails are designed to preserve fiscal discipline but limit the flexibility that might otherwise help in managing economic shocks or poor investment returns.

To stabilize required contributions, MWRA employs a five-year asset smoothing technique, which spreads the recognition of investment gains and losses over time. This approach mitigates the impact of short-term market volatility and helps maintain consistent funding levels. In tandem, MWRA applies a 10% asset corridor, which caps the extent to which actuarial asset values can deviate from actual market values—further preventing sudden shifts in contribution requirements. As of March 2025, Segal—a national actuarial and consulting firm that serves as MWRA's pension actuary—reported that unrecognized investment losses from the 2022 market downturn still total approximately $47 million. These losses, originally $62 million, are being gradually incorporated through smoothing and will continue to influence contribution levels for another three years.

Modeling the Future

Each year, Segal conducts an actuarial valuation to estimate the present value of MWRA's future pension obligations. This includes modeling retirement ages, salary growth, mortality, and expected investment returns. MWRA currently assumes a 6.9% annual investment return, based on the fund's diversified portfolio and long-term market outlook. This assumption is notably conservative: in 2025, Segal estimated a 20-year return of 7.12%, while MWRA's investment consultant NEPC projected 7.8% over 30 years. Despite this, the Retirement Board voted unanimously in March 2025 to maintain the 6.9% assumption, citing its prudence relative to other Massachusetts systems—many of which assume 7.0% returns, including the state-run PRIT Fund (Pension Reserves Investment Trust). PRIT serves as the investment vehicle for the state's Pension Reserves Investment Management (PRIM) Board, which manages assets for numerous public retirement systems in Massachusetts. While some systems invest fully with PRIT, MWRA's Retirement Fund includes PRIM-managed accounts as just one component of a broader portfolio.

In FY25, MWRA's required pension amortization payment rose by approximately 14%, well above the 4% cap that would apply under Section 22F if the funding deadline were extended. This steep increase reflects the shrinking timeline for eliminating the unfunded liability. To help flatten future payments, MWRA made an additional $5.2 million contribution in FY25. Looking ahead, Segal has been asked to model several scenarios, including one that adds a $5.75 million additional payment in FY26 and others that explore how large annual increases would need to be to achieve full funding by 2030. The current target for FY26 is $18.3 million in employer contributions. These projections underscore the urgency of addressing the remaining gap within the original statutory timeline.

Demographic trends such as increased disability retirements and longer life expectancy continue to affect the system's liabilities. These elements are factored into Segal's model, though they are subject to change over time. As of the March 2025 update, Segal did not anticipate revising key assumptions related to salary growth or mortality in the upcoming valuation cycle, though these may be subject to reconsideration as internal discussions continue.

To improve investment efficiency and reduce costs, MWRA has shifted portions of its Retirement Fund into lower-fee index investments, resulting in annual management fee savings of over $400,000. The Authority has also expanded its investments with the PRIM Board, which now manages roughly 6% of MWRA's retirement portfolio. Over the past two years, MWRA has committed more than $10 million to PRIM-managed assets, including allocations to private equity. PRIM's strong long-term performance and active management strategies offer valuable diversification and responsiveness to changing market conditions.

Comment: *The Advisory Board has previously recommended that a larger share of the Retirement Fund be invested in the PRIT fund and continues to support MWRA's plan to expand PRIT's share of the portfolio in the years ahead.*

What Comes Next

Any modification to the existing statutory funding framework—including the potential extension of the 2030 deadline—would require legislative action. The Public Employee Retirement Administration Commission (PERAC), which oversees public pension systems in Massachusetts, has initiated discussions with actuaries and stakeholders to explore long-term reforms. However, PERAC has cautioned that extending deadlines alone will not resolve structural issues and risks deferring meaningful changes for another decade. MWRA should continue to monitor these discussions and consider participating in statewide reform efforts that seek to balance fiscal sustainability with practical flexibility.

Other Post-Employment Benefits (OPEB)

In addition to pension obligations, the MWRA must also fund Other Post-Employment Benefits (OPEB), primarily consisting of retiree healthcare coverage. The most recent OPEB actuarial valuation, dated January 1, 2024, identified a $95.8 million unfunded liability and a funding ratio of 44.1%—a decline from 59.6% in 2022. The reduction in funding level was driven by lower-than-expected investment returns and higher-than-anticipated healthcare costs, particularly for family coverage.

While pension funding is governed by statutory requirements, OPEB is not subject to Chapter 32 deadlines, giving MWRA more flexibility in managing its approach. MWRA has set an internal target of achieving full funding for OPEB by 2038. Its strategy is guided by actuarially determined contributions (ADC), which include both normal costs and amortization of the unfunded liability. The Authority plans for gradual increases in OPEB contributions to meet this goal.

The OPEB plan is subject to volatility similar to that of the pension system. Healthcare costs are projected to rise substantially, especially in the short term, affecting the affordability of retiree benefits. As with the pension fund, MWRA applies a five-year asset smoothing mechanism and a 10% asset corridor to manage volatility and reduce the risk of sudden increases in contributions.

Although OPEB and pension funding share some technical similarities, their governance and constraints differ. The pension system must meet a statutory "drop-dead" deadline by 2030 and is subject to a 4% cap on amortization growth thereafter. OPEB funding, by contrast, is governed by internal goals and does not face legal mandates on schedule or contribution structure. This flexibility allows MWRA to adjust its OPEB funding strategy in response to changing healthcare costs, actuarial assumptions, and market conditions.

Conclusion

Both the pension and OPEB systems represent significant long-term obligations for the MWRA. The Authority continues to manage these liabilities through proactive contributions, risk-mitigation strategies, and evolving investment practices. The use of asset smoothing, index funds, and PRIM investments has helped increase fund stability and reduce costs. With a statutory pension funding deadline approaching in 2030 and an internal OPEB goal of 2038, the MWRA faces ongoing pressures to meet its obligations while maintaining affordability for ratepayers. Continued engagement with PERAC and exploration of legislative solutions will be critical in ensuring the long-term sustainability of both systems.

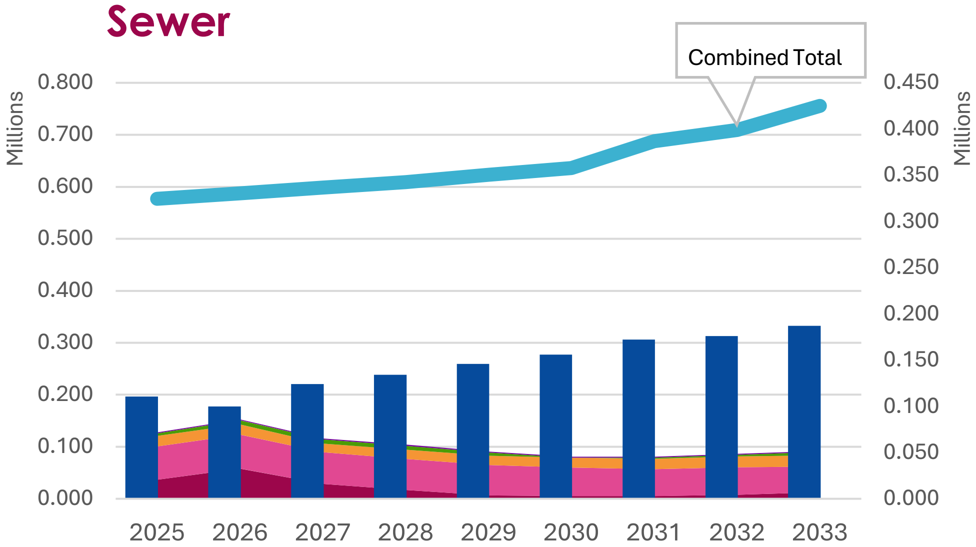
Proposed Fiscal Year 2026 CEB

Capital Financing

Sewer

Annual Expense $ M

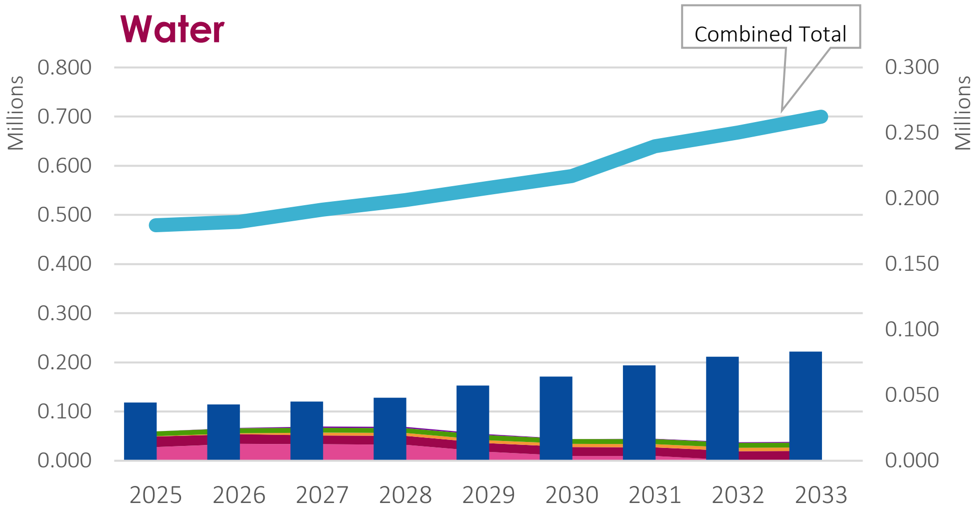
	2026	2028	2030	2032
Chelsea Lease	1.9	1.9	1.9	1.9
Debt Service Prepayment	7.8	7.9	0.0	3.0
Revenue for Capital	19.7	17.6	19.1	20.6
Variable Rate Debt Service	65.3	59.6	54.8	53.1
SRF Debt Service	57.9	17.0	5.0	7.6
Senior Debt Service	178	239	277	313



Water

Annual Expense $ M

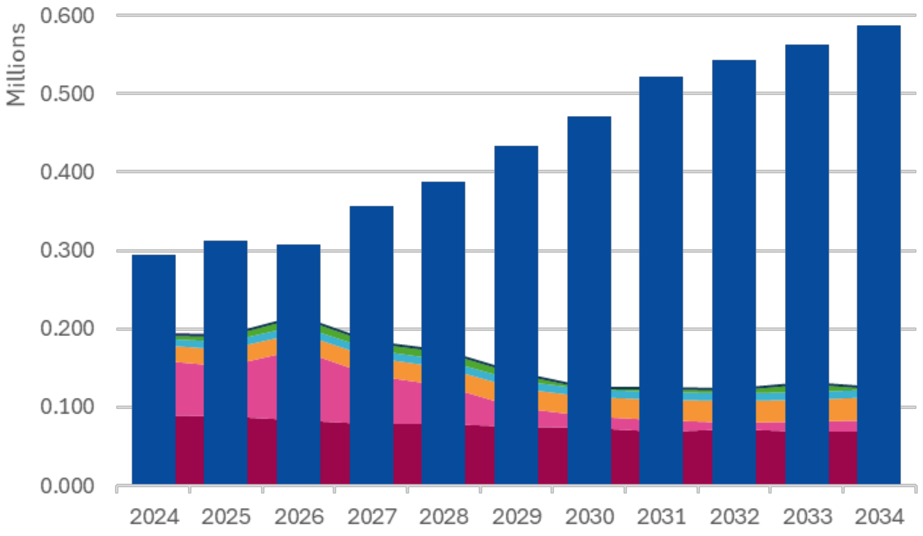
	2026	2028	2030	2032
Debt Service Prepayment	1.3	1.3	1.3	1.3
Revenue for Capital	0.7	2.6	0.0	1.0
Chelsea Lease	10.0	10.0	10.0	10.0
CP Interest - Water Pipeline Program	1.8	5.9	6.4	6.9
SRF Debt Service	20.0	18.5	18.3	18.6
Variable Rate Debt Service	34.2	32.2	9.6	0.9
Senior Debt Service	114	128	172	212



Combined

Annual Expense $ M

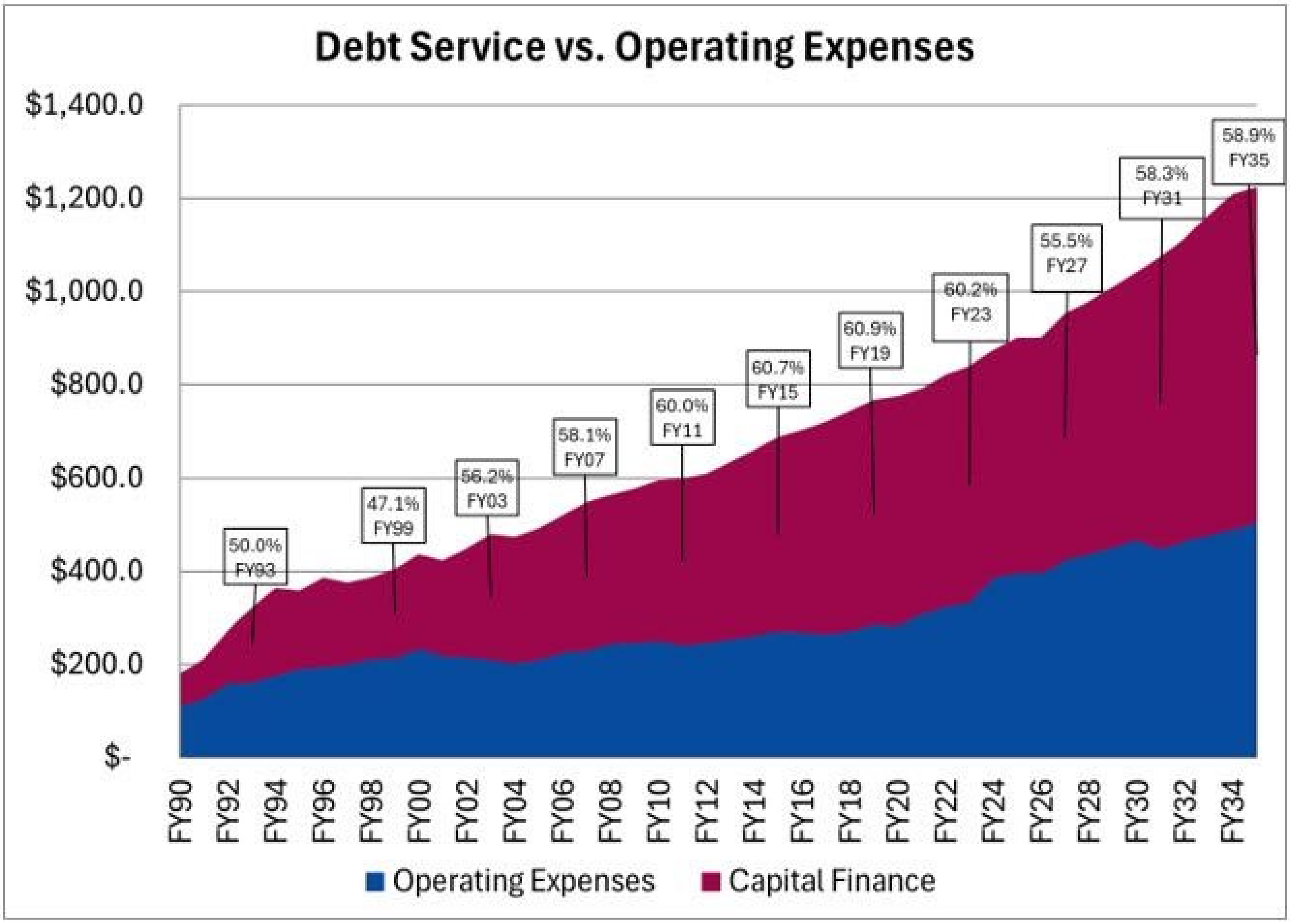
	2026	2029	2032	2035
Chelsea Lease	3.2	3.2	3.2	3.2
Debt Service Prepayment	8.5	8.0	4.0	0.0
CP Interest - Water Pipeline Program	10.0	10.0	10.0	10.0
Revenue for Capital	21.5	24.5	27.5	30.5
Variable Rate Debt Service	92.1	24.7	8.5	14.7
SRF Debt Service	85.4	75.5	71.7	67.7
Senior Debt Service	292	413	524	595



Capital Financing

MWRA's Capital Financing Strategy and Long-Term Debt Management

Capital Financing is the largest component of the Current Expense budget. Budgeted at $512.6 million, capital financing expenses comprise 55.6% of the total FY26 expense budget, a slight decrease from FY25's ratio of (56%).



The majority of the capital finance expenses (56.9%) relate to long-term fixed rate senior debt service associated with prior investments in water and sewer infrastructure and its ongoing maintenance. Senior debt service is projected to rise from $291.8 million in FY26 to $594.8 million in FY35 as the Authority invests in protecting existing infrastructure and invests in new capital such as the Metro Tunnel Redundancy project.

The Authority employs a number of strategies to manage its long-term debt, from seeking lower interest rates for large capital projects through the State Revolving Loan Fund to utilizing variable rate instruments as a hedge against fluctuations in investment income assumptions. While use of these two methods may decline in the coming years—due to limitations on project carryover, reduced federal SRF funding, or shifting cost advantages—both remain under active consideration. As their roles evolve, greater emphasis will be placed on the careful structuring and timing of senior and subordinate debt, as well as the strategic use of defeasance, to maintain smooth and predictable rate increases.

Water Debt Service

PFY26 capital expenses for the water utility total $182 million, a $2.7 million (1.47%) increase from fiscal year 2025. Senior debt service decreases by $4 million (-3.7%), while variable debt service increases by $6 million (21.5%). Interest on commercial paper for the local water pipeline assistance program is projected to increase roughly $1.2 million based upon an estimate for the outstanding balance of commercial paper used to fund this program at fiscal year end.

Sewer Debt Service

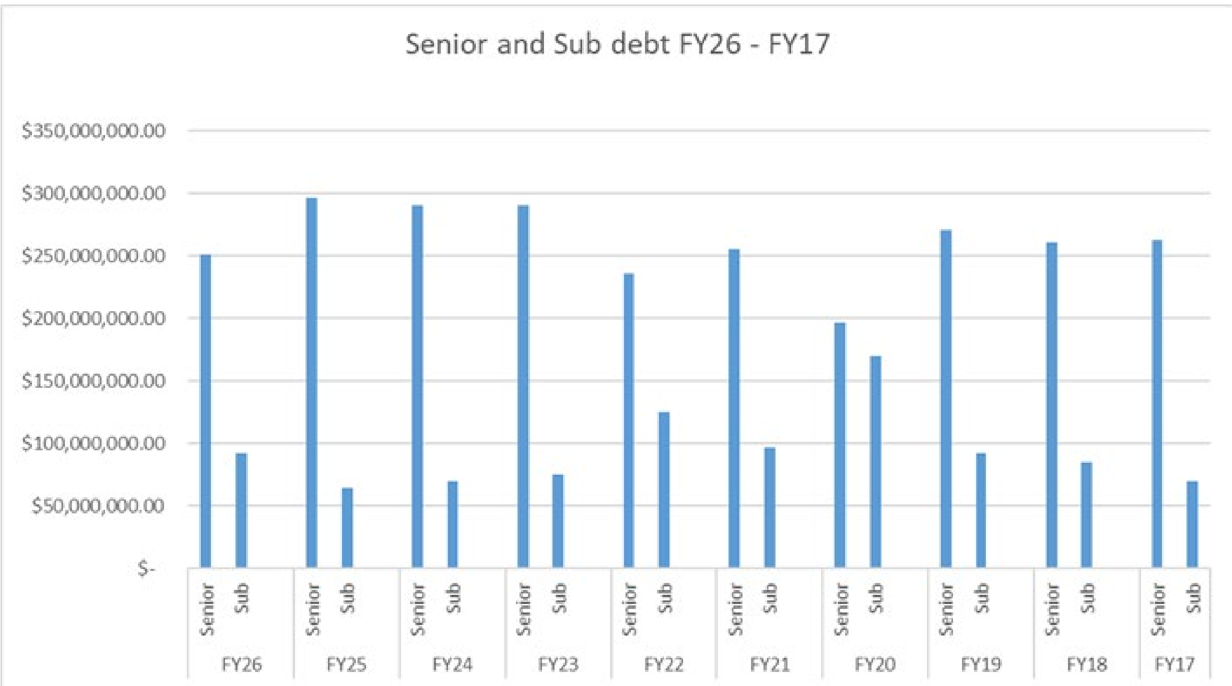
PFY26 Capital Expenses for the sewer utility total $330 million, a $5.8 million (1.79%) increase from fiscal year 2025. Senior debt service decreases by $19.0 million (-9.6%), while variable debt service increases by $1.1 million (1.7%).

Balancing Risk and Smoothing Rates

Over the past several years, MWRA's Tax-Exempt Commercial Paper program, debt refinancing, federal grants, State Revolving Fund (SRF) loans, and Commonwealth debt service assistance have helped mitigate the ratepayer impact of new capital investments. However, recent changes to the SRF—such as annual funding caps and carryover limitations—and waning legislative support for debt service assistance present growing challenges to this strategy. At the same time, a new wave of water system improvements is moving forward with fewer external funding sources. As a result, MWRA's capital financing costs are projected to rise by approximately 12%, or $141 million, over the six-year period from FY26 through FY31.

Alternating layers of Senior and Subordinate Debt

The $23.3 million (-7.4%) year over year decrease in senior debt service expenses in the proposed FY26 budget is offset by a $27.4million (18%) increase in variable rate debt service. The opposing trends in budgeted expenses for senior (fixed rate) debt service and variable rate (subordinate) debt service reflect the historic layering of principle by the Authority to smooth rate increase over time.



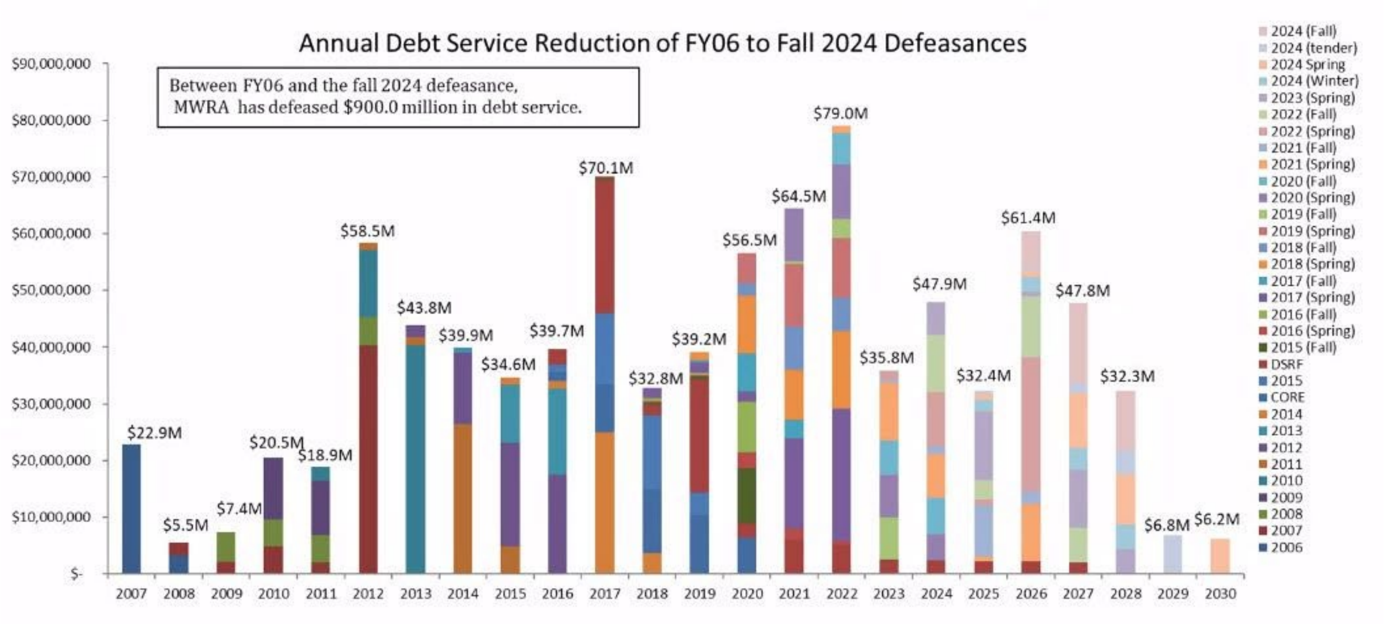
State Revolving Fund Loan Program

Borrowing through the State Revolving Fund (SRF)Loan program has historically been one method for the authority to minimize its debt service on capital investments. The federally subsidized rates can range from 100 to 300 basis points (1% to 3%) below prevailing market rates. The Massachusetts program includes the opportunity for principal forgiveness making the effective rate 2.15%. Every dollar borrowed through the SRF program replaces the need for MWRA to borrow a dollar at an assumed rate of 6%.

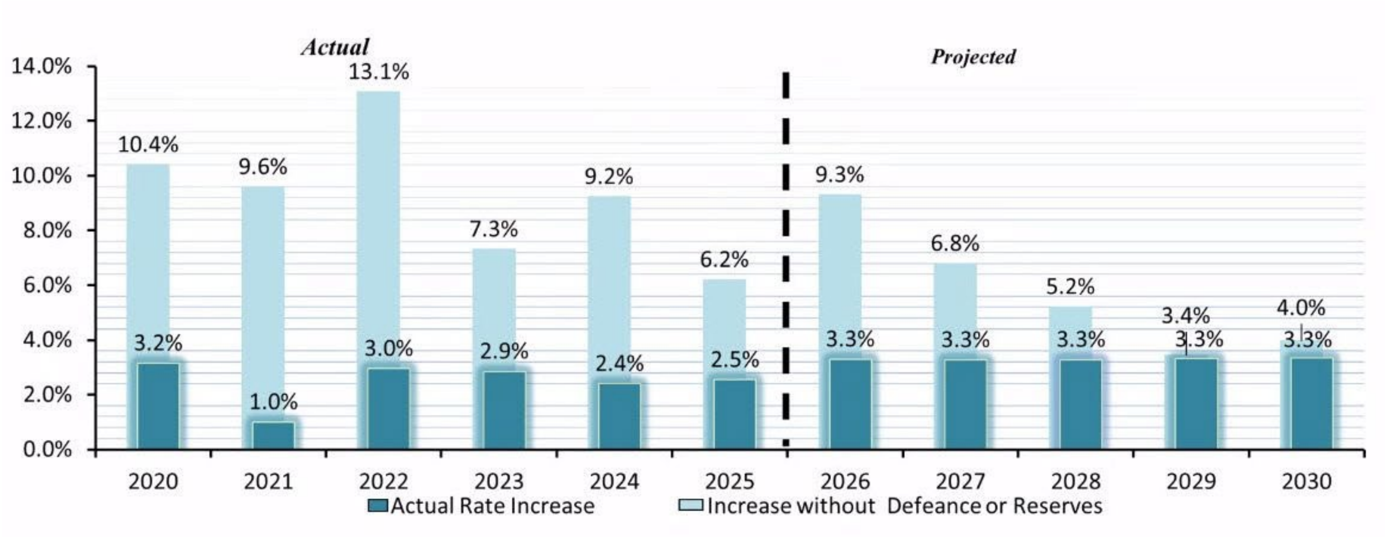
The recent federal contraction in funding State Revolving Loan funds prompted the state to modify its program, eliminating multi-year borrowing and lowering its borrowing cap from $50 million to $15 million. This is projected to put an upward pressure on capital financing expenses in future years.

Strategic Use of Defeasances to Reduce Debt Burden and Manage Rates

Defeasance is a sophisticated financial tool that allows the Authority to proactively manage its debt structure and has been a successful rate management strategy. Since 2006, the Authority has utilized favorable budget variances and interest earned on escrowed funds to pre-pay $901 million in future debt service, reducing fiscal year 2026 debt service by $61.4 million. Additionally, by targeting callable bonds prior to maturity the authority has realized $44.2 million in additional interest savings. (from 09112024 MWRA Staff summary on planned defeasances)



PFY26 includes a $0.7 million reduction in debt service from a planned $15.0M defeasance at the end of fiscal year 2025. A proposed larger spring 2025 defeasance is under consideration derived from the remainder of the FY24 positive budget variance and interest earnings on its escrow. This larger defeasance would reduce PFY26 debt service by approximately $1.6 million and yield future year CEB benefits ranging from $4 million in fiscal year 2031 to $10.7 million in fiscal year 2029. In addition to saving on interest, this defeasance will be targeted toward water utility principal coming due in FY26 and FY27 to manage the upward pressure on assessments for MWRA water communities.



Anticipated future capital financing

Historically MWRA's capital spending has been largely driven by court-ordered investments in wastewater infrastructure or regulatory requirements (approximately 70% of a all capital spending to date. Going forward, the authority anticipates a shift toward asset protection and water redundancy initiatives.

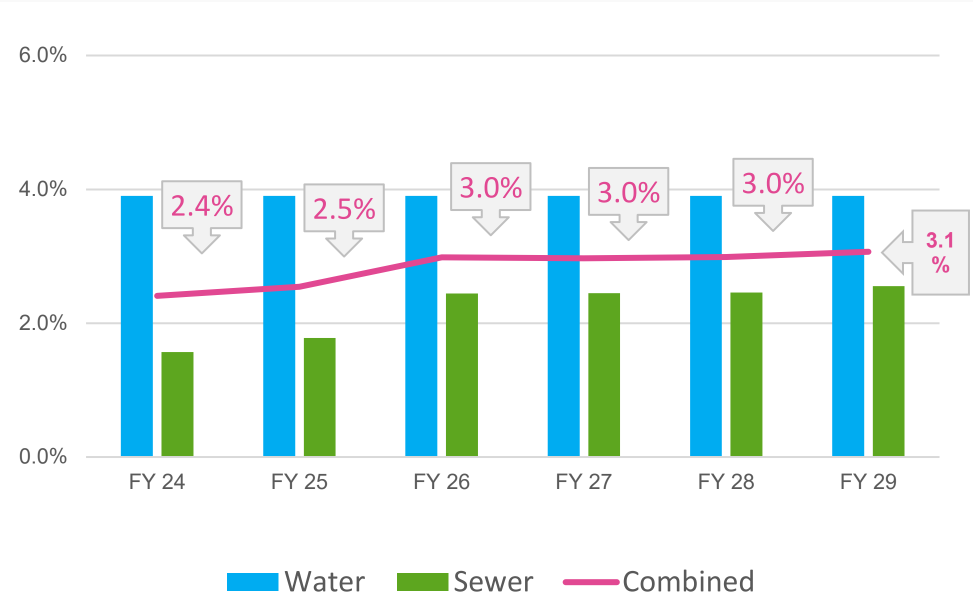
Over the past several years MWRA's Tax-Exempt Commercial Paper program, debt refinancing, federal grants, State Revolving Fund (SRF) loans, and Commonwealth debt service assistance have mitigated the impact on ratepayers of new capital spending. Recent changes to the State Revolving loan fund and diminished enthusiasm for debt service assistance in the legislature present challenges to this strategy. Coupled with new water system improvements, for which there are fewer non-ratepayer sources of funding, MWRA capital financing costs are projected to increase 12% over the next six years.

Proposed Fiscal Year 2026 CEB

Authority Level - Revenues

Combined	FY25 ($M)	PFY26 ($M)	PFY27 ($M)	PFY28 ($M)	PFY29 ($M)
TOTAL EXPENSES	**900.622**	**922.186**	**951.774**	**978.270**	**1,009.821**
TOTAL OTHER USER CHARGES AND NON-RATE REVENUE	**45.134**	**41.181**	**44.587**	**43.989**	**46.883**
Non-Member Revenue	***10.668***	***11.034***	***11.482***	***11.701***	***11.920***
Non-member Revenue-Sewer	*0.806*	*0.768*	*0.787*	*0.807*	*0.827*
Non-member Revenue-Water	*9.862*	*10.265*	*10.695*	*10.895*	*11.093*
OTHER REVENUE	***6.066***	***6.675***	***6.814***	***6.959***	***7.111***
Other Revenue-Sewer	*4.892*	*5.426*	*5.565*	*5.710*	*5.861*
Other Revenue-Water	*1.173*	*1.250*	*1.250*	*1.250*	*1.250*
INVESTMENT INCOME	***28.398***	***23.471***	***25.510***	***24.547***	***27.113***
Investment Income-Sewer	*16.377*	*14.033*	*14.721*	*14.172*	*15.619*
Investment Income-Water	*12.021*	*9.439*	*10.789*	*10.375*	*11.493*
RATE STABILIZATION	***-***	***-***	***-0.780***	***-0.782***	***-0.740***
RATE REVENUE REQUIRED	***855.488***	***881.006***	***907.187***	***934.281***	***962.937***
RATE CHANGE	**2.5%**	**3.0%**	**3.0 %**	**3.0 %**	**3.1 %**

PFY25 Proposed Rate Revenue for CAP period FY24 – FY28



FY26 Proposed Revenue Considerations

Rate Revenue	Increased by 3.0%, continuing the steady rate path adopted in FY25. Each 0.10% change equals about $900,000 in rate revenue.
Rate Stabilization	$0 being used in FY26.The reserves remain untapped, as in FY25.
Investment Income	Down $4.9M (–17%) from FY25 due to more conservative interest rate assumptions:5.0 % short-term, 3.75% long-term.

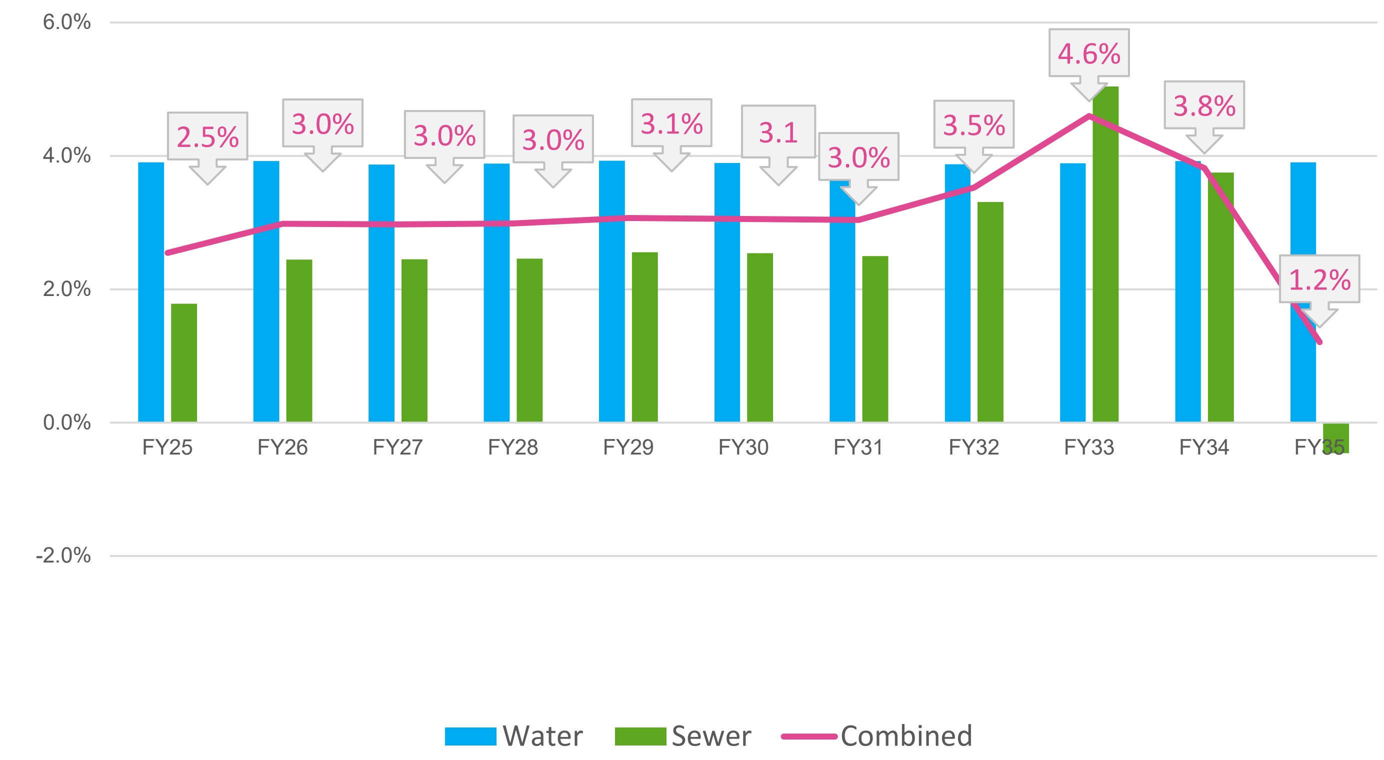
Proposed Fiscal Year 2026 CEB

Authority Level - Revenues

WATER	FY25 ($M)	PFY26 ($M)	PFY27 ($M)	PFY28 ($M)	PFY29 ($M)
TOTAL EXPENSES	**334.437**	**344.552**	**359.285**	**372.171**	**387.258**
TOTAL OTHER USER CHARGES AND NON-RATE REVENUE	**23.057**	**20.984**	**22.734**	**22.520**	**23.836**
Non-Member Revenue	***9.862***	***10.265***	***10.695***	***10.895***	***11.093***
DI Water	*2.350*	*2.357*	*2.448*	*2.543*	*2.643*
Water Supplied	*0.148*	*0.158*	*0.164*	*0.171*	*0.177*
Clinton WWTP	*1.234*	*1.280*	*1.301*	*1.322*	*1.345*
CVA Water System	*5.702*	*6.044*	*6.356*	*6.432*	*6.502*
Entrance Fees	*0.425*	*0.426*	*0.426*	*0.426*	*0.426*
OTHER REVENUE	***1.173***	***1.250***	***1.250***	***1.250***	***1.250***
Energy	*0.565*	*0.597*	*0.597*	*0.597*	*0.597*
Miscellaneous	*.0608*	*0.652*	*0.652*	*0.652*	*0.652*
INVESTMENT INCOME	***12.021***	***9.439***	***10.789***	***10.375***	***11.493***
Construction Fund Interest	*2.581*	*1.743*	*1.137*	*0.802*	*1.089*
Investment Income	*9.440*	*7.696*	*9.652*	*9.574*	*10.404*
RATE STABILIZATION	-	-	***-0.430***	***-0.482***	***-0.540***
RATE REVENUE REQUIRED	***311.379***	***323.598***	***336.121***	***349.170***	***362.883***
RATE CHANGE	**3.9 %**	**3.9 %**	**3.9 %**	**3.9 %**	**3.9 %**

SEWER	FY25 ($M)	PFY26 ($M)	PFY27 ($M)	PFY28 ($M)	PFY29 ($M)
TOTAL EXPENSES	**566.184**	**577.635**	**592.489**	**606.099**	**622.562**
TOTAL OTHER USER CHARGES AND NON-RATE REVENUE	**22.076**	**20.227**	**21.073**	**20.688**	**22.308**
Non-Member Revenue	***0.806***	***0.768***	***0.787***	***0.807***	***0.827***
Sewer Retail	*0.082*	*0.073*	*0.076*	*0.077*	*0.079*
Water Treatment Residuals	*0.723*	*0.694*	*0.712*	*0.729*	*0.748*
OTHER REVENUE	***4.892***	***5.425***	***5.565***	***5.710***	***5.861***
Permit Fees (TRAC)	*1.339*	*1.379*	*1.441*	*1.506*	*1.574*
Monitoring Fees (TRAC)	*1.655*	*1.704*	*1.781*	*1.862*	*1.945*
Penalties (TRAC)	*0.051*	*0.050*	*0.050*	*0.050*	*0.050*
Energy	*0.940*	*1.433*	*1.434*	*1.434*	*1.434*
Miscellaneous	*0.907*	*0.858*	*0.858*	*0.858*	*0.858*
INVESTMENT INCOME	***16.377***	***14.032***	***14.721***	***14.172***	***15.619***
Construction Fund Interest	*1.394*	*2.310*	*2.335*	*1.547*	*1.728*
Investment Income	*14.982*	*11.722*	*12.386*	*12.625*	*13.891*
RATE STABILIZATION	-	-	***-0.350***	***-0.300***	***-0.200***
RATE REVENUE REQUIRED	**544.108**	**557.408**	**571.066**	**585.111**	**600.055**
RATE CHANGE	**1.8 %**	**2.4 %**	**2.5 %**	**2.5 %**	**2.6 %**

PFY26 Proposed Rate Revenue for CAP period FY25 – FY35



Revenue

Combined Revenue Summary

Total MWRA expenses are projected to increase from $900.6 million in FY25 to $1.009 billion in FY29, reflecting steady growth in capital financing and operating costs. To support these expenses, the combined rate revenue requirement will rise from $855.5 million in FY25 to $962.9 million in FY29, with annual rate increases holding at 3.0% from FY26 through FY28, followed by 3.1% in FY29. These increases represent the MWRA's strategy to provide a stable and predictable funding path for member communities.

Non-rate revenues, including Other User Charges, Other Revenue, and Investment Income, are projected to total $41.2 million in FY26, and gradually increase to $46.9 million by FY29. While modest in size, these sources help reduce the burden on ratepayers and improve financial resilience.

Water Operations

Total water utility expenses are projected to grow from $344.6 million in FY26 to $387.3 million in FY29. Non-rate revenues, including CVA system charges, Deer Island water sales, miscellaneous revenue, and investment income, are expected to contribute $21.0 million in FY26, reducing the amount required from rate revenue to $323.6 million.

The water rate revenue increase for FY26 is 3.9%, consistent with the adopted rate path in FY25. Annual increases are projected to continue at 3.9%, with water rate revenue reaching $362.9 million in FY29. These increases reflect the growing share of water-related capital financing expenses and aging debt service obligations.

Sewer Operations

Sewer utility expenses are projected to increase from $577.6 million in FY26 to $622.6 million in FY29. After accounting for $20.2 million in non-rate revenue in FY26—including permit fees, monitoring charges, and investment income, the remaining rate revenue requirement is $557.4 million, representing a 2.4% increase from FY25.

Sewer rate increases are forecasted to grow gradually over the next several years, reaching 2.6% by FY29, with rate revenue totaling $600.1 million. The more moderate pace of sewer rate increases reflects a slower capital financing cost trajectory relative to the water utility.

Rate Stabilization Funds

The PFY26 budget proposes no use of Rate Stabilization funds, consistent with FY25. However, small draws are scheduled to resume in FY27–FY29, totaling just under $2.3 million over that span. While earlier planning models had envisioned stabilization fund use beginning in FY25, the MWRA has instead chosen to hold these reserves in place as a buffer against future rate shocks.

The Advisory Board continues to monitor the uneven rate trajectory between water and sewer. With water rate increases holding at 3.9% annually and sewer at or below 2.6%, targeted rate stabilization may still be appropriate in future years to ensure parity across utilities.

Long-Term Rates Management Committee

As the MWRA enters a period marked by significant upcoming capital needs, the Advisory Board recommends reconvening the Long-Term Rates Management Committee to provide a structured forum for evaluating the financial outlook and potential rate impacts across the short-, mid-, and long-term planning horizons. This committee, comprising MWRA staff, Advisory Board members, and Advisory Board staff, was originally convened as the Authority anticipated changes to its bond covenants that would release significant previously restricted reserves. At that time, the committee played an important role in advising how those funds could be strategically applied to provide targeted rate relief while preserving the Authority's long-term financial stability.

Today, new challenges call for a fresh examination of the system's financial trajectory. In the short term, the Authority faces sustained pressures from the broader economic climate: record inflation in the post-pandemic period, ongoing supply chain disruptions, and a highly competitive construction market where projects are attracting fewer bidders or encountering escalating costs.

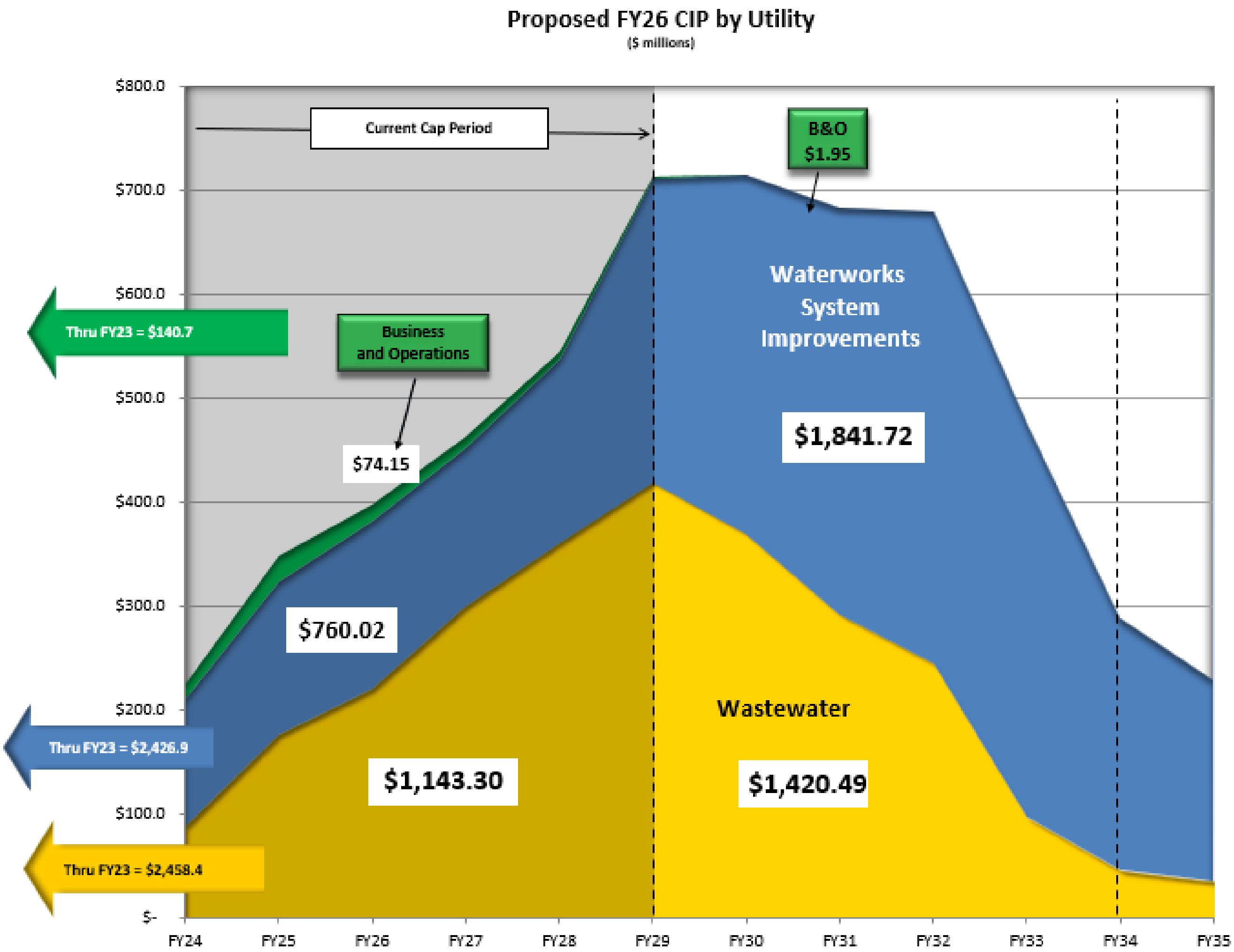
Looking to the mid-term horizon, uncertainty around future tariffs, shifts in federal policy and regulations, and the broader impacts of national political transitions are poised to further influence the cost environment and funding landscape for infrastructure projects. These factors will likely shape the financial context through the current administration cycle and into the next.

In the long term, the impacts of major capital investments will begin to materialize more fully in the rate base. The Metropolitan Tunnel Redundancy project—a significant investment in water system resiliency—will continue to ramp up, with costs extending deep into future planning cycles. On the sewer side, the forthcoming update to the CSO Long-Term Control Plan may ultimately avoid the highest end projections but is still expected to require meaningful investment. The combined effect of these large-scale projects risks further entrenching or widening the current imbalance between water and sewer cost trajectories.

Many communities have already raised concerns about the growing disparity between water and sewer rate increases in recent years, noting the strain that uneven increases place on local budgets and ratepayers. As part of its charge, the reconstituted committee would not only evaluate what levels of rate increases may be sustainable across each planning horizon but also examine ways to promote a more balanced and equitable alignment between water and sewer rates—particularly as future capital spending becomes more unevenly distributed between the two systems.

By reconvening this committee now, the Advisory Board seeks to begin the work of mapping out the possible paths ahead examining the intersecting rate impacts of these and other drivers, evaluating potential mitigation strategies, and laying the groundwork for proactive, transparent engagement with communities around future financial decisions.

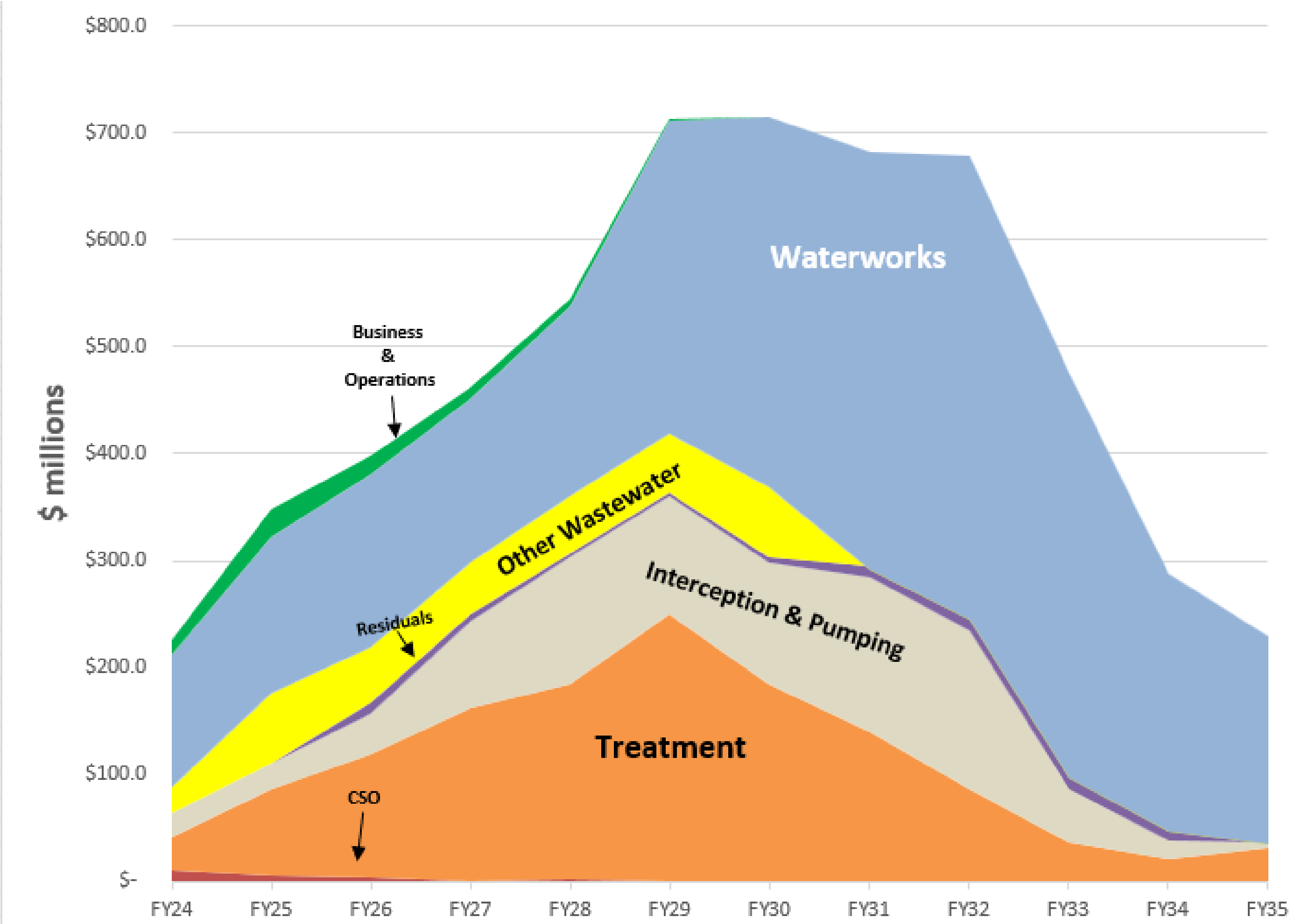
1. **Recommendation: That MWRA conduct a comprehensive review of current cost estimates for all water and wastewater projects in the CIP to ensure projections reflect current market conditions. These revised estimates should then be used to assess future rate capacity and model the anticipated impact of debt service from the Metro Tunnel and CSO LTCP projects, in coordination with the work of the Long-Term Rates Management Committee.**



CIP Overview

After forty years, MWRA is reaching maturity, and with it, it's new facility construction phase is nearing completion. Barring any new mandates, most of the Authority's future capital budget will be designated for Asset Protection, Water System Redundancy, Pipeline Replacement and Rehabilitation and Business System Support. The proposed Fiscal Year 2026 Capital Improvement Program reflects this transition.

Wastewater Capital Spending by Program



Wastewater

Wastewater Capital Spending

The FY26 Capital Improvement Program (CIP) budget includes $204.2 million dollars of proposed investments in wastewater infrastructure, including $51.3 million of expected net expenditures on the Local I/I Financial Assistance Program. This represents an increase of $44.6 million dollars from fiscal year 2025. Spending on wastewater infrastructure represents approximately 51 percent of all projected capital spending for this year. Total projected wastewater spending from FY24 through FY28 is $1.31 billion, with an additional $1.69 billion planned beyond FY28, reflecting MWRA's commitment to continuous asset protection and system improvements.

Annual spending figures for the wastewater CIP program rise steadily throughout the FY24-28 cap period, beginning with $137.6 million in FY24 and increasing to $367.8 million by FY28. Note: The Expenditure Forecast lists a $2.64 billion remaining balance in FY24, which reflects the total value of previously authorized but unspent capital funding carried forward.

Asset Protection

Asset protection is a critical component of MWRA operations and long-term planning and consistently accounts for the largest share of capital expenditures. Asset protection projects focus on by maintaining and enhancing system assets over the long-term at the lowest possible life cycle cost and acceptable risk. By ensuring timely replacement of equipment and systems, while seeking ways to optimize operations and pre-emptively address critical facility and equipment issues, MWRA is protecting ratepayer investments.

The majority of the spending is concentrated in several large projects with significant spending in the FY24-28 period. The largest wastewater construction projects in this period include the Clarifier Rehabilitation Phase 2 at Deer Island (total cost of $315.9 million), Ward Street Headworks (total cost $147.8 million), South System Pump Station Variable Frequency Drive Replacement (total cost $90.5 million) and rehabilitation of the Prison Point CSO facility (total cost $38.7 million).

Interception and Pumping

Budgeted spending in FY26 for interception and pumping improvements totals $40.0 million, an increase of $18.6 million dollars (27.9%) from the prior fiscal year. The majority of expenditures in this category, $34 million or 85% is in facility asset protection, comprised of a variety of projects designed to ensure ongoing service while optimizing operations and addressing immediate facility and equipment issues. Notable new spending in fiscal year 2026 includes rehabilitation of CSO facilities at Prison Point ($4.8 million), Somerville-Marginal ($2 million) and Cottage Farm ($3.97 million).

The remainder of budgeted FY26 spending on Interception & Pumping, $5.3 million, relate to the design and construction of improvements to a number of siphon structures. This work aims to increase access and facilitate maintenance of those structures with the greatest risk of potential surface flooding.

Treatment

Nearly half (49.7%) of all FY26 budgeted Wastewater CIP spending is in treatment, the vast majority being asset protection. $101.4 million is appropriated in fiscal year 2026 an increase of $30.9 million or 43.9% from fiscal year 2025. Within the FY24-28 cap period, $590.2 million is budgeted for investment in treatment facilities and systems, with annual amounts diminishing after a high of $283.8 million in FY29.

Deer Island Treatment Plant is a large, complex and aging facility. It is described as having 60,000 pieces of equipment alone that are worth approximately $1 billion. Proactive planning, continuous condition monitoring, scheduled maintenance and timely replacement or rehabilitation is essential to ensure that it can continue its critical role of protecting public health and the environment. Clinton Wastewater Treatment, though significantly smaller and not subjected to the harsh marine environment of Deer Island, is an older facility also in need of repair and rehabilitation. It is currently undergoing several capital improvements to replace its 25 year old screw pumps and its primary digester cover and as well as SCADA updates and significant repairs to its secondary treatment process. The projects at Clinton total $7.4 million in FY26, a $4.1 million (124%) increase from the previous year.

The largest, and by far, the most complex CIP project is the Clarifier Rehabilitation Phase 2 at Deer Island. This on-going project has been broken into multiple contracts, spanning the FY24-28 cap period into the next, totaling $315.9 million. FY26 budgeted expenses are $50 million for Construction, $2.7 million for Engineering and Design Services for Construction and $7.3 million for Resident Engineering Inspection. The project addresses deficiencies in critical, aging components in both the primary and secondary clarifiers while maintain operation. During this work, MWRA plans to maintain a secondary process limit of 700 MGD, which is the capacity of 50 clarifiers in operation. The construction portion of the Clarifier Rehabilitation Phase 2 project is being financed through the State Revolving Loan Fund at an effective interest rate of 2.15%, across multiple years. Barring any future changes to the SRF program, this will be one of the last SRF multi-year funded projects.

The South System Pump Station Variable Frequency Drive (VFD) Replacement project involves replacing obsolete VFDs in the South System Pump station and is part of a larger, on-going program to replace VFDs at a variety of facilities. With a total budget of $128.2 million, $1.62 million in FY26, this project will is both an asset protection project and de-carbonization measure. VFD replacements at other facilities have yielded notable improvements in energy efficiency. When the South System VFD replacement is complete in FY29, an estimated $130,000 worth of annual energy savings will begin to accrue to the CEB.

Residuals

The FY26 CIP contains $7.5 million of new proposed spending for replacement of a variety of equipment at the Pellet plant. CIP sending has been less than planned in recent years with recent variance reports showing actual spending roughly 75% below budgeted amounts. Given the uncertainty of potential PFAS restrictions on the beneficial use of biosolid pellets, decision on equipment replacement are based on a cost/benefit analysis.

Combined Sewer Outfalls (CSO)

The proposed CIP budget contains $4.0 million in spending on CSOs in 2026 for system optimization of the community managed Somerville Marginal CSO and ongoing Planning and Support. This is in addition to the work being performed on the MWRA CSOs including within the Interception and Pumping portion of the budget.

During the FY24-28 cap period $21.8 million has been budgeted for the CSO portion of the CIP. This follows $922.7 million in investments through FY23, resulting in an 88% reduction in system-wide discharge volume in a typical year, with 94% of the remaining volume receiving treatment.

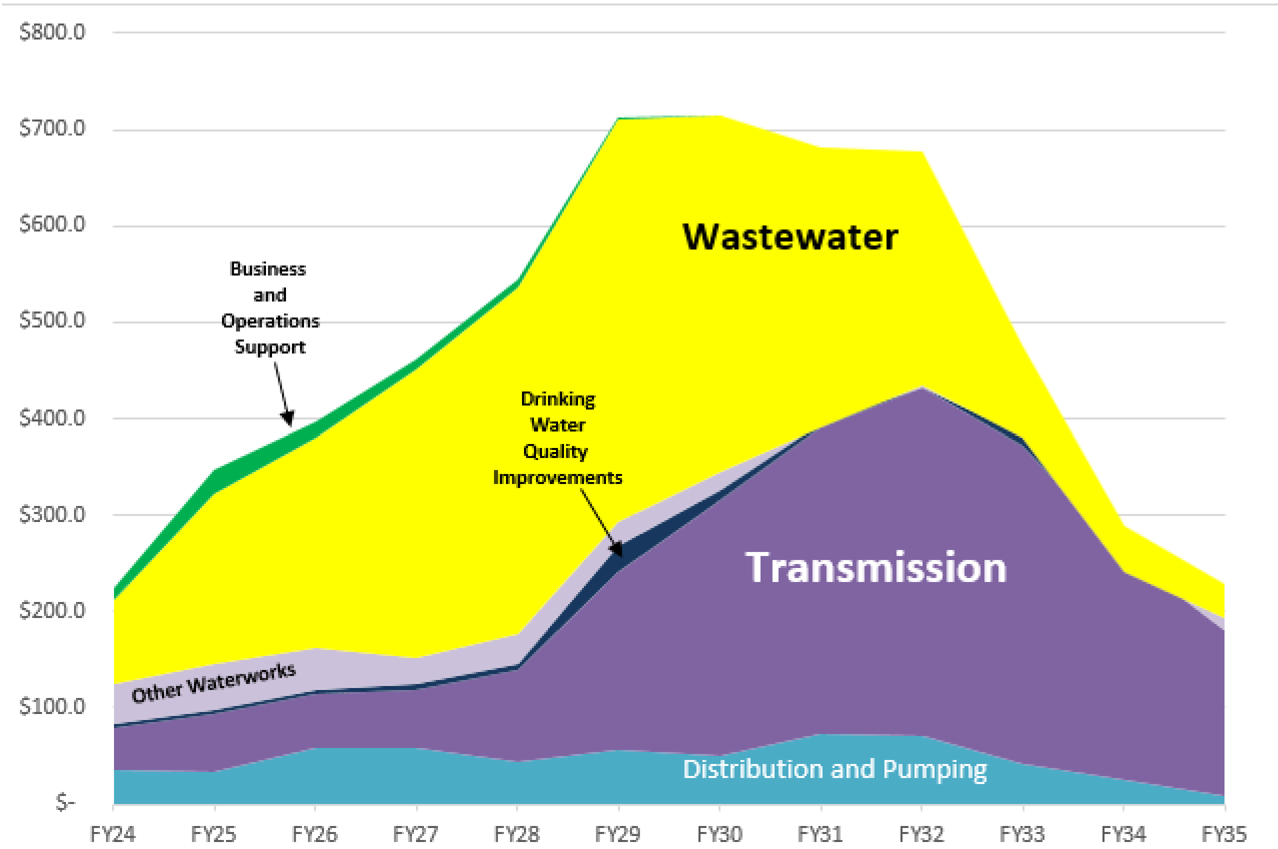
CSO Community Managed

$2.8 million is budgeted in fiscal year 2026 for the construction of a relief connection between the City of Somerville's marginal interceptor and MWRA's Somerville Medford Branch sewer to take advantage of excess capacity during some storm events. This project is expected to reduce typical year activations to meet current LTCP activation goals and reduce typical year discharge volume to materially meet LTCP volume goals at the Somerville Marginal CSO facility (MWR205).

CSO Planning & Support

The FY26 CIP budget contains $1.2 million for continued work on the court mandated CSO Performance Assessment, a part of the Variance Water updated CSO Long-Term Control Plan (LTCP) process that MWRA and the cities of Cambridge and Somerville expect to complete in 2027.

Waterworks Capital Spending by Program



Waterworks

Waterworks Capital Spending

The FY26 Proposed Capital Improvement Program includes $165.9 million in Waterworks System Improvements, representing approximately 41 percent of MWRA's total capital spending for the year. This continues a strong upward trajectory in waterworks investment over the current cap period. Total projected waterworks spending from FY24 through FY28 is $764.4 million, with an additional $2.46 billion planned beyond FY28. This reflects MWRA's strategic focus on replacing aging infrastructure, enhancing hydraulic performance, and advancing long-term system resilience.

Annual spending figures for the waterworks program rise steadily throughout the cap period, beginning with $141.7 million in FY24 and increasing to $193.4 million by FY28. Note: The Expenditure Forecast lists a $3.12 billion remaining balance in FY24, which reflects the total value of previously authorized but unspent capital funding carried forward.

Drinking Water Quality Improvements

The PFY26 CIP allocates $3.4 million to drinking water quality improvements, supporting projects aimed at ensuring compliance with federal and state standards while maintaining public health protection. A major focus remains the phased upgrade of the Supervisory Control and Data Acquisition (SCADA) system at the Carroll Water Treatment Plant. In early 2025, MWRA approved a $1.32 million amendment to extend construction by 548 calendar days and increase the total contract value to $8.57 million. The complex work involves replacing outdated control equipment and transitioning all monitoring functions while the facility remains fully operational. Additional investments support upgrades to water quality instrumentation, disinfection infrastructure, and corrosion control systems at MWRA's covered storage facilities.

Transmission

Transmission improvements remain the largest category of waterworks investment, with $65.5 million allocated in FY26 and $323.1 million projected for the cap period. These projects support redundancy and reliability across the backbone of the regional system. One key initiative is the Section 75 Extension construction phase, part of a broader $109 million project to enhance system connectivity. This subphase includes building a 30-inch main between Shaft 7 and Weston Aqueduct Supply Main 3, totaling $17.3 million, with $12 million budgeted in FY26. It will install 4,000 feet of pipe to improve connectivity in the Intermediate High service zone.

In the Northern Extra High zone, MWRA will spend $10.2 million in FY26 on a construction phase of the broader Section 56 pipeline project, which replaces a river crossing removed in 2017. This subphase installs a new crossing under the Saugus River to restore redundancy to Revere and Malden. In Waltham, the Lexington Street pipeline project, part of interim Metropolitan redundancy work, continues into FY26 with $5.4 million planned. In 2024, MWRA approved $1.65 million in change orders to address unforeseen bedrock conditions not identified during earlier subsurface testing. Additional transmission spending includes aqueduct inspections, valve replacements, and design of long-term connections that will serve future service zones.

Distribution and Pumping

Distribution and pumping investments total $54.5 million in FY26 and $243.9 million over the cap period. Construction of new pipelines in the Northern Extra High service zone continues, with $8.5 million planned in FY26. This includes installation of 4,800 feet of water main and two new meters across Lexington, Waltham, and Arlington. In Watertown and Newton, the Intermediate High pipeline realignment continues. This project includes 5,900 feet of new 20-inch pipe, rehabilitation of 3,300 feet of existing main, and upgrades to two revenue meters. At an estimated $20.4 million, this project is expected to conclude in early 2026. Additional investments in cathodic protection, pressure zone realignment, and SCADA integration at pump stations round out the distribution and pumping portfolio.

Other Waterworks

Other Waterworks spending totals $42.6 million in FY26 and $176.2 million across the cap period. This category includes funding for the Local Water System Assistance Program (LWSAP), with $30.4 million in FY26 supporting community loans, lead service line replacements, and other local infrastructure needs. Additional investments support waterworks facility asset protection—such as tank rehabilitation, roof and vault repairs, and structural evaluations—as well as system mapping, record drawing updates, and hydraulic modeling to improve planning and performance.

Business & Operations

The Authority has allocated approximately $19.8 million in FY25 and $31.2 million in FY26 toward Business & Operations capital improvements, reflecting a strong focus on modernizing MWRA's internal systems, equipment, and infrastructure.

The Equipment Purchase program continues to play a leading role, accounting for $3.9 million in FY25 and $4.7 million in FY26. This includes substantial vehicle and lab instrumentation investments, such as contaminant monitoring systems and upgrades to major analytical equipment. Similarly, Technical Assistance funding supports land appraisal and hazardous materials work, though planned spending decreases from $510,000 to $252,000 between FY25 and FY26.

Spending within Capital Maintenance Planning & Development rises from $3.2 million to $5.3 million, largely driven by ongoing "As-Needed" contracts for engineering design and consulting. This flexible contracting strategy enables responsive project support across facilities.

The most notable increase appears under Alternative Energy Initiatives, where funding jumps to $14.0 million in FY26. These investments focus on advancing solar and wind infrastructure, including Phase II construction of Deer Island wind assets and hydroelectric development.

Meanwhile, Application Improvement, Information Security, and IT Infrastructure programs together represent over $6 million in FY26, supporting cybersecurity upgrades, legacy software replacements, and core IT functions such as servers, data management, and system architecture.

Community Assistance Programs – Water-Related

MWRA continues to support member communities through targeted capital assistance programs that reduce financial barriers to local water system upgrades. Two major water-related initiatives—the Lead Service Line Replacement Program and the Local Water System Assistance Program—are featured prominently in the PFY26 CIP.

FY25 Approved Baseline Cap

FY24-28 Baseline CAP		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	$288.2	$357.9	$313.5	$349.8	$349.1	$1,658.5
	Metropolitan Tunnel	$14.4	$25.2	$23.9	$23.9	$78.6	$166.2
	I/I Program	(42.9)	(41.5)	(27.5)	(28.4)	(34.2)	(174.5)
	Water Loan Program	(14.1)	(10.9)	(5.0)	(2.6)	(8.6)	(24.0)
	MWRA Spending	**$245.6**	**$330.8**	**$304.9**	**$342.8**	**$402.2**	**$1,626.3**
	Contingency	15.2	21.8	20.7	23.6	31.7	113.0
	Inflation on Unawarded Construction	1.9	8.1	12.2	22.1	36.1	80.4
	Chicopee Valley Aqueduct Projects	(0.3)	(0.5)	0.0	0.0	0.0	(0.8)
	Projected Spending before Adjustment	**$262.4**	**$360.2**	**$337.8**	**$388.5**	**$469.9**	**$1,818.9**
	Spend Rate Adjustment (25%)	(65.6)	(90.1)	(84.5)	(97.1)	(117.5)	(454.7)
	FY24 Final FY24-28 Spending	**$196.8**	**$270.2**	**$253.4**	**$291.4**	**$352.5**	**$1,364.2**

[placeholder for text]

Proposed FY26 CIP

FY26 Proposed CAP		FY24	FY25	FY26	FY27	FY28	FY24-28
	Projected Expenditures excl. Metro Tunnel	$199.2	$295.6	$358.2	$437.4	$496.9	$1,787.3
	Metropolitan Tunnel	$9.0	$28.1	$43.2	$39.7	$73.9	$194.0
	I/I Program	(22.0)	(62.5)	(51.3)	(48.6)	(53.4)	(237.9)
	Water Loan Program	(26.2)	(27.7)	(30.4)	(18.9)	(16.9)	(120.1)
	MWRA Spending	**$160.1**	**$233.5**	**$319.7**	**$409.5**	**$500.5**	**$1,623.3**
	Contingency	0.0	14.7	21.3	28.1	36.5	100.5
	Inflation on Unawarded Construction	0.0	0.0	3.1	12.1	25.5	40.6
	Chicopee Valley Aqueduct Projects	-	-	0.0	-0.3	0.0	(0.3)
	Projected Spending before Adjustment	**$160.1**	**$248.2**	**$344.0**	**$449.4**	**$562.4**	**$1,764.2**
	Spend Rate Adjustment (25%)	-	(62.0)	(86.0)	(112.4)	(140.6)	(401.0)
	FY25 Proposed FY24-28 Spending	**$160.1**	**$186.1**	**$258.0**	**$337.1**	**$421.8**	**$1,363.1**

Capital Planning and Cost Estimate Accuracy

As previously referenced in the Long-Term Rates Management Committee (LTRMC) recommendation, the MWRA faces the potential for major rate impacts from the upcoming Metro Tunnel project on the water side and the CSO Long-Term Control Plan (LTCP) on the wastewater side. The need for rigor in the rest of the CIP is therefore paramount. These two megaprojects, which will come online in future years, represent unprecedented infrastructure investments whose rate impacts must be fully understood in context—not in isolation.

Recent experience has demonstrated that several projects within the existing CIP, particularly at Deer Island, have significantly exceeded original cost projections and engineering estimates. These deviations are not isolated incidents. Rather, they are occurring against a backdrop of persistent economic uncertainty, including volatile construction costs, labor shortages, and evolving trade policies that impact material availability and pricing. As these pressures show no signs of easing, the Authority must assume that future bids will continue to escalate beyond early projections unless corrective measures are taken.

Given this environment, the Advisory Board strongly believes that updated and detailed cost estimates for both water and wastewater projects currently programmed in the CIP are essential. These revised estimates are not only necessary for fiscal accuracy—they are vital for responsibly projecting the rate impacts of large-scale additions like the Metro Tunnel and CSO LTCP. The updated estimates should be used to model the future years when debt service for these megaprojects is expected to hit the rate base and assess what remaining capacity exists, if any, for additional investments without unacceptable pressure on ratepayers.

This analysis also complements the goals of the Long-Term Rates Management Committee (LTRMC), whose work is referenced earlier in this document. As the LTRMC explores strategies to soften or smooth future rate impacts, it must be equipped with the most accurate and current project cost data available. Without this, its ability to make sound long-term recommendations is compromised.

Recommendation: That MWRA conduct a comprehensive review of current cost estimates for all water and wastewater projects in the CIP to ensure projections reflect current market conditions. These revised estimates should then be used to assess future rate capacity and model the anticipated impact of debt service from the Metro Tunnel and CSO LTCP projects, in coordination with the work of the Long-Term Rates Management Committee.

Community Assistance Programs

MWRA continues to support member communities through targeted capital assistance programs that lower the cost of critical water and wastewater upgrades. The PFY26 CIP features major investments in the Lead Service Line Replacement and Local Water System Assistance programs, which provide interest-free loans and grants for water main improvements, lead line removal, and system modernization. On the wastewater side, the Local Infiltration and Inflow (I/I) Financial Assistance Program offers funding to reduce stormwater and groundwater intrusion into local sewers—helping to maintain flows to Deer Island within permit limits and prevent untreated discharges. Together, these programs promote regulatory compliance, system reliability, and long-term cost savings.

Lead Service Line Replacement Program

The Lead Service Line Replacement Program includes $21 million in FY26 grant/loan capacity. Originally launched in 2016 with $100 million in funding for zero-interest loans, the program was expanded in May 2024 to $200 million and restructured to include a 25 percent grant for communities that commit to replacing both public and private lead service lines. Loans remain interest-free with ten-year repayment terms. As of early 2025, 17 MWRA communities have drawn approximately $43.8 million from the program. A full-time program manager was hired in October 2024 to support implementation and track compliance. The program is designed to help communities complete all lead service line removal by 2032, five years ahead of the EPA's anticipated deadline, and avoid the costly addition of orthophosphate treatment, which could otherwise cost between $60 and $80 million over two decades.

Local Water System Assistance Program

The Local Water System Assistance Program, launched in 1998, continues under Phase 4 with $300 million in authorized funding available through FY35. This phase provides ten-year, interest-free loans to member communities for water main replacement, water tank rehabilitation, water quality improvements, and system modernization. Phase 4 also allows for "Tier Two" projects that improve energy efficiency, metering, and operational performance. A community's funding for "Tier Two" projects is tied directly to the original purpose of the program - addressing 100% of a community's unlined local pipes. If a community has addressed 100% of its unlined pipes, 100% of their allotted funding can be used for Tier 2 projects. For a community with 50% of unlined pipe addressed, 50% of their allocated funding can be used for Tier 2 projects. While no disbursements had been made as of December 2024, staff report strong community interest and anticipate accelerated project starts in FY26 as design work is finalized.

Community Assistance Programs - Wastewater related

Reducing groundwater and stormwater entering the sewer system, or infiltration and inflow (I/I) is a priority for maintaining flows to Deer Island below permit levels, minimizing CSO frequencies and preventing surging that results in untreated discharges. The Local I/I Financial Assistance Program provides grants and interest-free loans to MWRA sewer communities to perform I/I reduction measures and rehabilitation of their locally owned-collection systems. Its goal is to improve local sewer system conditions through reduction of I/I flows and ensure that ongoing repair, replacement and efficient operation and maintenance occur throughout the collection system.

A quarter of budgeted Wastewater CIP expenditures in FY26 are appropriated to the Local Infiltration and Inflow (I/I) Financial Assistance program with $51.3 in net expenditures appropriated this year and $242.6 million is budgeted during the FY24-28 cap period for the program.

Since the program's inception in 1993, all 43 MWRA sewer communities have participated in the program. Through December of 2024, $565 million has been distributed to fund 688 local projects.

In combination with the CSO Control Program, the Local I/I Financial Assistance program has been a critical component of maintaining flows to Deer Island below current and proposed NPDES permit levels and minimizing overflows leading to improved public health and environmental outcomes.

Combined Sewer Overflow (CSO) Long-Term Control Plan

"A Broader Lens, a Better Plan"

In Brief

The original CSO Long-Term Control Plan (LTCP) was a turning point for the region's water quality. Court-ordered and community-supported, it eliminated 84% of overflow volumes and ensured that 96% of what remained was captured and disinfected — transforming Boston Harbor from a national embarrassment into a national success story.

What followed was a post-construction monitoring and maintenance phase — a regulatory bridge between past performance and future priorities. That phase reviewed long-term data, updated storm modeling, and triggered a new planning round to assess whether further investments might be needed. Today, MWRA and its partner communities are weighing a new suite of proposed projects — totaling up to $4.7 billion — to target the remaining CSO discharges under projected 2050 climate conditions.

But the problem has evolved. CSOs may still be visible and regulated, but they are no longer the only — or even the greatest — threat to system performance or water quality. Sanitary Sewer Overflows (SSOs), groundwater infiltration, aging infrastructure, and overwhelmed stormwater systems are increasingly driving real-world failures. These are the causes behind backups in basements, sewage on shorelines, and unacceptable burdens in Environmental Justice communities across the MWRA system. And they are often outside the scope — and funding structure — of this CSO-focused program.

The Advisory Board believes that if we fail to widen our lens now, we will spend billions and still fall short. We support new investments — when they are justified, cost-effective, and designed to meet the full challenge ahead. Our region doesn't just need fewer gallons. It needs smarter gallons. Fairer gallons. And dollars that deliver real protection for the people and places who need it most.

In Depth

A National Model of Success

The original Combined Sewer Overflow (CSO) Long-Term Control Plan (LTCP) was one of the most transformative clean water efforts in the country. Court-ordered but regionally owned, it reduced overflow volumes from 3.8 billion gallons to just over 1 billion. MWRA now estimates that **1.056 billion gallons** are captured and disinfected each year under Typical Year conditions. (MWRA CSO Control Summary)

The total cost of that program, adjusted to 2024 dollars, was approximately **$1.52 billion** — resulting in a cost of just **$1.44 per gallon controlled**. The payoff wasn't just financial — it was environmental, social, and reputational. Boston Harbor went from national embarrassment to national success story, and MWRA became a model for regional infrastructure investment that works.

[Insert: Bar chart comparing $/gallon – Original LTCP ($1.44) vs. Proposed ($23.50)]

From Progress to Planning

After the original LTCP was completed, MWRA entered a post-construction monitoring and maintenance phase — a regulatory bridge between past performance and future possibility. This phase, consistent with EPA's national CSO policy guidance, was designed to verify long-term effectiveness, evaluate any lingering impacts, and prepare for future conditions using real-world data and updated modeling. (EPA CSO Control Policy)

It wasn't a mandate to build — but it was a chance to step back and ask: if we invest again, are we doing it in the right places, for the right reasons, with the right dollars?

That question frames the challenge before us now.

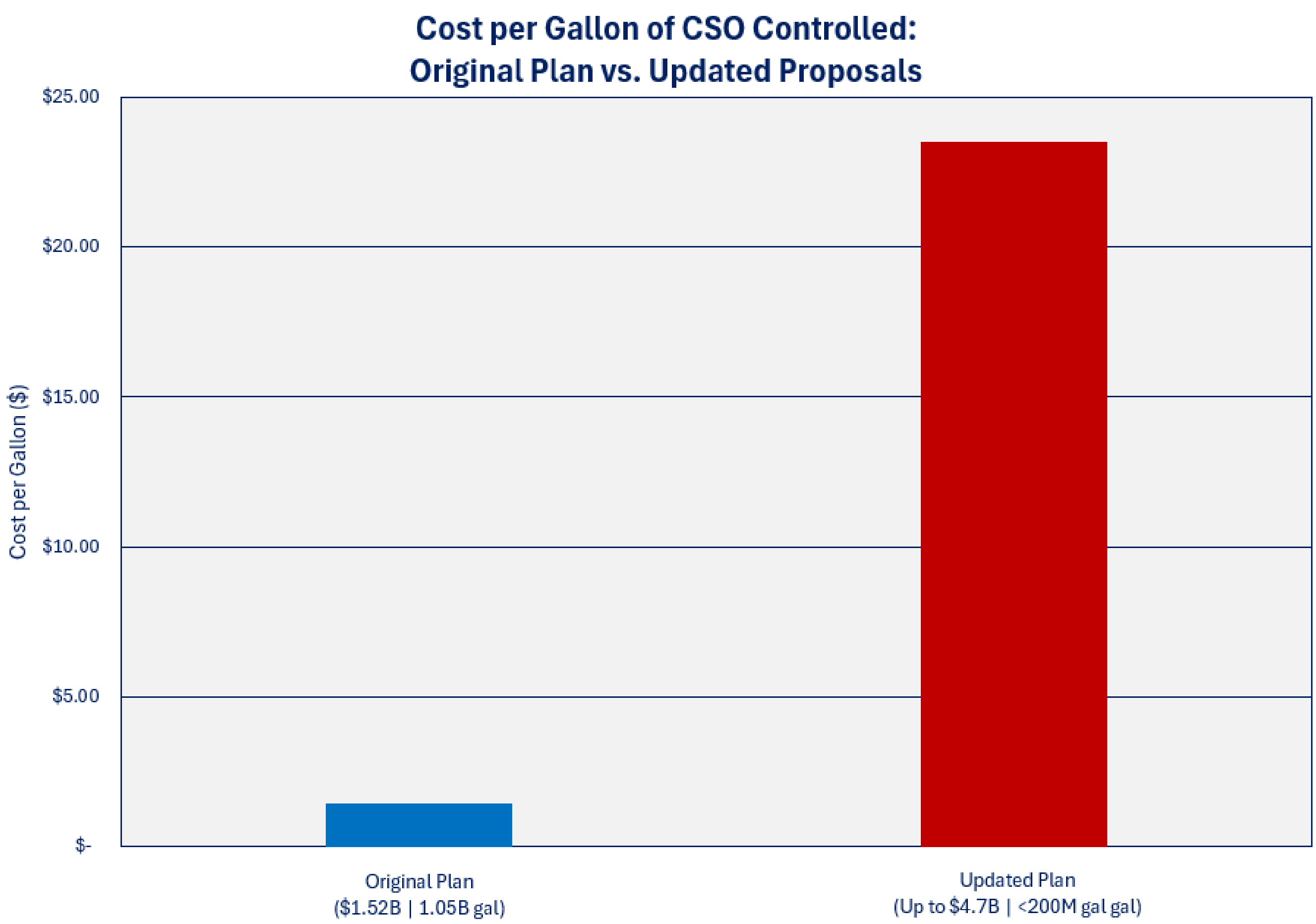
The Next Wave of Projects

MWRA, along with Cambridge and Somerville, is now evaluating a new suite of CSO control projects. These alternatives aim to eliminate the remaining CSO discharges across targeted areas of the Charles and Mystic River watersheds, including Alewife Brook— with modeling based on projected **2050 storm conditions**.

The potential capital cost? Up to $4.7 billion.

The additional overflow volume controlled? Less than 200 million gallons per year.

That brings the cost to more than $23 per gallon — nearly 16 times the cost of the original LTCP.



The value proposition also looks very different. The original LTCP delivered water quality benefits across **Boston Harbor, the Charles River, and the Mystic River**, with systemwide improvements felt across dozens of communities and millions of residents. In contrast, the proposed new projects target a much smaller set of remaining discharges in a narrower geographic footprint — serving fewer people, with higher costs, and diminishing returns.

These projects also carry enormous practical burdens. Some would take **20 to 30 years** to complete. Many would involve disruptive construction in already congested neighborhoods — tunneling through city streets, replacing major pipes, and staging infrastructure in places with little available land. And after all that time and impact, the public may still ask: will these projects truly deliver cleaner water — or just deeper costs?

A Wider Lens on Risk

Local communities aren't ignoring these threats. They're living with them. And in many cases, they're doing all they can with the tools available — updating ordinances, mapping system vulnerabilities, and filing required reports. But even the best-run city or town can only do so much when the regulatory structures are fragmented, the mandates unfunded, and the storm clouds keep getting heavier.

The threats to water quality today are complex, interconnected, and increasingly beyond the scope of CSO-specific planning. Three of the biggest challenges — **stormwater runoff**, **Sanitary Sewer Overflows (SSOs),** and **Infiltration and Inflow (I/I**) — are growing fast, yet remain largely unsupported by the kind of robust regulatory, technical, and financial frameworks that made the original LTCP so successful.

Stormwater Runoff: Regulated, But Under-Resourced

Stormwater is governed under the **Municipal Separate Storm Sewer System (MS4) General Permit**, issued by the EPA and MassDEP. These permits require municipalities to implement six minimum control measures, including mapping, public education, illicit discharge detection, and construction site runoff control. (MassDEP Stormwater Permitting Overview, EPA Small MS4 Permit)

But there are two big gaps: **no dedicated funding** and **no regional enforcement framework**. Towns are left to find their own solutions for runoff that erodes roads, floods basements, and dumps polluted water directly into local rivers — the same rivers our CSO projects are trying to protect. MS4 is a start, but it's not a solution. Not without the resources and coordination to scale.

Sanitary Sewer Overflows (SSOs): Monitored, But Without a Mitigation Path

SSOs — discharges of raw or partially treated sewage — are supposed to be rare. But across the state, they are increasingly frequent, especially during high-flow events. Massachusetts law now requires public notification within 24 hours and detailed reporting within five days. (MassDEP SSO Notification Process, DEP Compliance Fact Sheet)

But beyond the reporting requirement? **There's no parallel investment strategy. No centralized enforcement. No state or federal mechanism to help communities fix the aging systems behind these spills.** In most cases, towns do their best to respond — but without funding, planning assistance, or regulatory teeth, they're fighting a chronic public health risk with a clipboard and a hope it doesn't rain too hard next week.

Infiltration and Inflow (I/I): The Slow Drain on System Capacity

While not as visible as CSOs or SSOs, infiltration and inflow pose a long-term threat to system efficiency and resilience. In some communities, I/I accounts for more than **50% of dry-weather flow** — wasting energy, eroding treatment capacity, and contributing to overflows during storms. MWRA's **I/I Grant/Loan Program** offers valuable support, but the challenge is vast — and accelerating. (MWRA I/I Program Overview)

The Equity Tradeoff

MWRA has long supported member communities in addressing these broader risks, and the Advisory Board has consistently advocated for increasing support and flexibility in programs like the I/I loan and grant initiative. But local governments still bear the brunt of responsibility — and cost.

If the region commits to $4.7 billion in new CSO controls, much of that cost will fall on Cambridge and Somerville. And with limited fiscal capacity, these communities may have to postpone or scale back other critical investments: SSO prevention, green infrastructure, or climate-resilient stormwater management.

The result? Infrastructure may be expanded, but water quality may remain compromised. Not because we failed to act — but because we acted too narrowly.

A Smarter Standard for Progress

The Advisory Board believes in investment — but only when it delivers. That means asking not only whether a project reduces CSO discharges, but also whether it truly improves water quality in the real world we live in — a world where SSOs, I/I, and climate impacts are increasing faster than our models, budgets, or pipes can keep up.

That's why we continue to support solutions that adhere to the Advisory Board's longstanding principle: investments must be both environmentally sustainable and ratepayer equitable — a value we've articulated in one form or another since at least 1998. Today, we've simply shortened that commitment to Green and Fair.

- **Strategic** — maximizing real-world impact per dollar spent
- **Equitable** — preventing Environmental Justice communities across the system from bearing steep costs without meaningful benefit
- **Resilient** — adaptable to larger, less predictable storm events
- **Practical** — achievable within timelines that matter, and budgets that hold

Planning is essential — but planning alone doesn't solve problems. It's how we spend, where we act, and what we prioritize that will define the next chapter. This isn't just about removing the next gallon — it's about protecting the next generation.

In Conclusion

The Advisory Board supports MWRA's commitment to clean water — and to continued progress on combined sewer overflows. But we cannot support any investment without asking what it will truly deliver — and what it might prevent us from doing elsewhere.

At up to $4.7 billion, the proposed next round of CSO projects is more than a construction plan — it's a generational choice. A choice about how we spend limited public dollars, whose needs get prioritized, and what problems we decide to solve. These projects come with enormous costs, multi-decade timelines, and real impacts on communities — and they target a shrinking set of discharges that may not even be the primary driver of water quality problems in those areas.

Meanwhile, stormwater systems are failing. SSOs are rising. I/I is eroding system capacity across the region. And Environmental Justice communities — both in and outside the CSO project zones — are living with the consequences. Yet none of these challenges fall under the mandate or funding structure of the plan now being considered.

This is not a call to walk away. It's a call to step back, zoom out, and lead wisely. The next chapter of CSO planning must build on MWRA's legacy — not by repeating past solutions, but by responding to present conditions and future risks.

Accordingly, the Advisory Board recommends that MWRA continue to evaluate the current CSO planning alternatives — but proceed only with those projects that demonstrate a clear, measurable return in water quality improvement, environmental justice benefit, and cost-effectiveness. If a project cannot meet those standards, MWRA should not move forward — no matter how long it's been studied or how visible it may be. We cannot afford to throw good dollars after bad, or prioritize gallons that are easier to measure over outcomes that actually matter.

At the same time, we urge MWRA to use its data, voice, and regional leadership to spotlight the growing threats posed by SSOs, I/I, and stormwater — and to continue supporting member communities through mitigation programs like the I/I Grant/Loan initiative. These efforts won't solve everything, but they represent the kind of smart, scalable investment that the next generation of planning should be built around — rather than committing billions to narrowly defined projects that leave the larger water quality challenges unresolved.

Because in the end, this isn't about pipes or permits — it's about protecting our communities, preserving our waters, and making sure every dollar invested by ratepayers delivers real, measurable value in return. The Advisory Board remains committed to its longstanding principle — rooted in decades of work and today summed up simply as Green and Fair. In this case, that means focusing on the projects that deliver the greatest public benefit, the clearest environmental gains, and the strongest return on investment for the people paying the bill.

Recommendation: The Advisory Board recommends that MWRA advance only CSO projects that deliver clear, measurable water quality improvements, environmental justice benefits, and strong returns on investment. At the same time, MWRA should elevate growing regional threats like SSOs, I/I, and stormwater — and support scalable solutions through programs like the I/I Grant/Loan initiative.

System Expansion

"Helping Connections—Without Getting Hooked"

In Brief

The Advisory Board reaffirms its longstanding position that no MWRA funds paid by existing member communities and ratepayers should be used to fund infrastructure costs for expansion communities. While the Entrance Fee waiver removed one barrier to entry, the infrastructure cost remains a significant challenge—and, absent a dedicated recovery mechanism, risks shifting costs onto existing ratepayers.

To address this remaining barrier while protecting existing communities, the Advisory Board recommends that MWRA explore and report back on viable mechanisms to fund necessary expansion infrastructure upfront and recover those costs directly from expansion communities or developments over time.

In Depth

For decades, the MWRA water system has represented a critical regional resource, with communities periodically expressing interest in joining. However, one consistent barrier to entry was the Entrance Fee—designed to ensure new communities paid an equitable share to connect, but increasingly viewed as a prohibitive upfront cost by potential expansion communities.

Over multiple years, Advisory Board and MWRA staff engaged with interested communities across the region. Time and again, communities pointed to the Entrance Fee as a primary reason they could not justify joining, despite potential benefits of water quality, reliability, and supply security. While some believed the Entrance Fee was used as a convenient reason to avoid commitment, the effect was clear: the Entrance Fee remained a financial barrier to system expansion.

Recognizing this challenge, the Advisory Board undertook a detailed evaluation of the Entrance Fee policy, weighing its fiscal role against its practical impact on expansion opportunities. After extensive analysis and deliberation, the Advisory Board voted in 2022 to recommend waiving the Entrance Fee, concluding that the long-term benefit of expanding the customer base—and spreading costs across more users—outweighed the short-term revenue from the fee. Importantly, the Advisory Board included in its recommendation a key condition: that no MWRA funds paid by existing communities and ratepayers would be used to fund the infrastructure necessary to connect expansion communities to the system.

The MWRA Board of Directors ultimately approved the Entrance Fee waiver but did so without including that condition—a key distinction from the Advisory Board's recommendation.

The Entrance Fee waiver had its intended effect and sparked renewed interest from communities looking to join the system. In response, MWRA initiated a series of system expansion studies to evaluate the feasibility, infrastructure needs, and estimated costs of serving new communities in the MetroWest, Ipswich River Basin, and South Shore regions.

Each study confirmed that MWRA had sufficient capacity to meet additional demand but identified considerable infrastructure investments required to physically connect new communities to the system. The MetroWest Water System Expansion Feasibility Study evaluated multiple options for expanding service along the MetroWest Water Tunnel, ranging from smaller interconnections to a larger pipeline extension capable of serving multiple communities along a shared route. The Ipswich River Basin Evaluation similarly identified pathways to deliver water to communities north of the system via new pipelines from the northern service area. The South Shore Water and Wastewater

Expansion Study examined options to serve communities south of the system, including a potential connection to the redevelopment of the former South Weymouth Naval Air Station (SWNAS).

Each study presented a consistent reality: while capacity was available, the infrastructure cost to connect was high—particularly for projects with modest projected water demands. Serving SWNAS or similar developments with a demand of around 1 million gallons per day could require tens of millions of dollars in new infrastructure.

This infrastructure cost represents a new barrier to entry—one that expansion communities or developments must overcome to join the system, even after the Entrance Fee was waived. Under the policy framework intended by the Advisory Board, this cost would remain the responsibility of the expansion community.

However, because the MWRA Board of Directors' vote omitted the Advisory Board's condition prohibiting the use of system funds for expansion connections, it left open a pathway—or at minimum, created a perception—that MWRA could choose to fund part or all of the infrastructure costs using system funds paid by existing member communities and ratepayers. Even if not explicitly intended, this omission has created uncertainty about whether, and to what extent, MWRA might assume these costs—effectively shifting a burden meant to remain with expansion communities onto the existing communities.

This shift in potential financial responsibility poses significant concern. Under the Advisory Board's intended framework, the cost to connect would remain a hurdle for expansion communities to overcome, reinforcing the principle that system expansion should not come at the expense of current members. But absent a dedicated recovery mechanism, and with no policy restriction in place, these infrastructure costs could be absorbed by the system—placing existing ratepayers at risk of subsidizing expansion connections.

Financial models show that under current assessment structures, adding small users to the system does not generate sufficient revenue to offset the upfront infrastructure investment. For example, under a scenario where MWRA covers 33% of $145 million infrastructure costs, a 1 MGD project would not make existing communities whole even after 30 years of assessments. Similar shortfalls appear across other demand and cost-sharing assumptions.

In effect, expansion communities gain access to MWRA's system, but existing member communities absorb the financial impact—contradicting the Advisory Board's long-held position that expansion should not come at the expense of current ratepayers.

Therefore, while the Entrance Fee waiver removed a key policy barrier to expansion, the infrastructure funding challenge remains a practical barrier. To align expansion opportunities with the Advisory Board's original condition—and to protect existing communities from absorbing these costs—the Advisory Board recommends an additional step:

MWRA should explore and present viable mechanisms to fund necessary expansion infrastructure upfront and recover those costs directly from expansion communities or developments over time. Such mechanisms could include a dedicated infrastructure fee, a betterment assessment, a loan program modeled after the Local Water System Assistance Program (LWSAP), or other financing tools designed to equitably assign costs to those benefiting from the expansion.

By requiring a formal evaluation and written report provided to the Advisory Board and MWRA Board of Directors, this recommendation ensures transparency and accountability while advancing the Advisory Board's goal of reducing barriers to entry in a fiscally responsible manner.

In Conclusion

The Advisory Board recommends that MWRA explore and report back to the Advisory Board and MWRA Board of Directors on viable mechanisms to fund system expansion infrastructure costs upfront and recover those costs from expansion communities or developments over time.

This recommendation reaffirms the Advisory Board's prior position that no MWRA funds paid by existing member communities and ratepayers should be used to fund expansion infrastructure costs, while offering a constructive path forward consistent with the MWRA Board of Directors' approved Entrance Fee waiver. By proactively identifying and addressing this remaining barrier, MWRA can support responsible system expansion and regional growth without shifting costs onto current ratepayers.

Recommendation: The Advisory Board recommends that MWRA explore and report back to the Advisory Board and MWRA Board of Directors on viable mechanisms to fund system expansion infrastructure costs upfront and recover those costs from expansion communities or developments over time.

Quabbin Legislation

"When fairness forgets the funders."

In Brief

The Advisory Board continues to monitor Senate Bill 447/House Bill 897 (An Act relative to the Quabbin watershed and regional equity), a proposed measure that would impose additional financial obligations on MWRA ratepayers. While framed as an equity measure, this legislation fails to deliver fairness to all stakeholders. The Advisory Board acknowledges the profound sacrifices these communities have made, including displacement, land-use restrictions, and constrained economic development. However, the Advisory Board formally voted in February to oppose the legislation, affirming our position in a letter presented at the March Board of Directors meeting. We view the bill as unbalanced, unsustainable, and unfair—**imposing a new, unfunded financial burden on MWRA ratepayers, setting unsustainable precedents for public utilities and water suppliers across the Commonwealth, and undermining the long-term financial and governance stability of the MWRA system.**

In Depth

What is Fairness?

Fairness isn't just about balancing costs. It's about balancing responsibilities, sacrifices, and benefits across all stakeholders. At its core, fairness is about balance, responsibility, and sustainability. These three principles provide a framework for evaluating the proposed legislation—not only in honoring the history and sacrifices of watershed communities, but also in ensuring an equitable, accountable, and sustainable path forward for all stakeholders.

I. Balance: Recognizing What Has Been Given, and What Is Being Asked

The Quabbin Reservoir stands as both an engineering marvel and a testament to profound sacrifice. Nearly a century ago, entire communities were disincorporated and flooded to secure a reliable drinking water supply for millions. Those losses were—and remain—extraordinary.

Since its creation, the host communities surrounding the Quabbin have lived under restrictions that limit land use, economic growth, and tax revenue potential. These burdens are real and enduring. The Advisory Board has never denied them; we have always acknowledged and respected them in principle.

But fairness requires more than recognition of what was lost. It also requires recognition of what has been given. Since 1985, MWRA ratepayers have contributed over $850 million toward watershed protection, including more than $200 million in direct PILOT payments to the host communities. These payments were uniquely structured:

- Paid at the highest tax rate in each host community;
- Guaranteed by a hold harmless clause ensuring no reduction from prior year's payment;
- Separate from the statewide PILOT formula that otherwise reduces payments in other communities.

These financial commitments were intended to honor history while creating long-term stability and predictability. They are evidence of an ongoing partnership—not a one-time gesture.

These ongoing payments stand as a testament to that commitment—reflecting a continuous, prioritized recognition of the communities' unique role and sacrifices.

While the creation of the reservoir imposed lasting restrictions, it also preserved thousands of acres of open space, natural landscapes, and protected forestland that define the region's character today. The presence of the reservoir and its surrounding protected lands has contributed to the scenic, quiet, and rural quality of life that many residents and property owners value—and often promote as a unique asset of the area.

Fairness must account for both the constraints and the benefits of living near protected lands. Proposals to layer additional financial obligations onto MWRA ratepayers must weigh not only the history of what was lost, but also the ongoing reality of what has been preserved—and appreciated—over generations.

The proposed legislation would impose an additional $35 million annual transfer from MWRA ratepayers to the host communities—an obligation untethered to measurable need, statewide cost-sharing, or a sunset provision, imposed without clear justification for the amount or restrictions tying its use to watershed protection or water delivery.

And this inequity would not fall equally across MWRA's water communities. The largest increases would be borne by the region's Environmental Justice communities—the same neighborhoods already facing systemic economic, environmental, and health burdens. Boston alone would see a $12.3 million increase; Somerville would face $1.2 million more each year. These are just some of the Environmental Justice communities whose residents, along with ratepayers across all MWRA's water communities, have already contributed more than three-quarters of a billion dollars toward watershed protection since the MWRA's inception. To ask them to shoulder even more—while exempting the state's general fund and taxpayers statewide—raises profound questions about whether fairness is truly being served or merely redefined at their expense.

Fairness must recognize when an obligation has been fulfilled, when compensation is sufficient, and when new demands upset a carefully calibrated balance. Unlike the existing PILOT payments—structured, formula-based, and directly tied to watershed protection costs—these new payments are unrestricted and disconnected from MWRA's core mission. Public water systems are zero-sum, not-for-profit enterprises: every dollar collected from ratepayers must be justified by the costs of providing water service. Expanding mandatory payments beyond the costs of stewardship, protection, and delivery not only violates this principle—it tips the balance beyond fairness into inequity, jeopardizing the financial integrity of the entire system.

II. Responsibility: Defining True Stewardship

Fairness also demands clarity about roles: who stewards the reservoir, who funds its protection, and who hosts it. Supporters of the proposed legislation have characterized the surrounding communities as "stewards" of the Quabbin Reservoir—but this mischaracterizes their role. Stewardship and hosting are not the same.

The formal responsibility for protecting, managing, and safeguarding the Quabbin lies with the Division of Water Supply Protection (DWSP)—the designated steward of the watershed. DWSP enforces land use restrictions, maintains protections, monitors compliance, and implements conservation measures. Its work ensures the reservoir continues to meet federal and state drinking water standards—without the need for costly filtration.

This stewardship is not delegated to the surrounding municipalities. Rather, it is funded by MWRA ratepayers, whose contributions support DWSP's operations, personnel, and protective measures.

The nearby communities do not perform stewardship; they host the reservoir. They live alongside its protected lands, abiding by its restrictions. Hosting carries burdens, but proximity does not confer stewardship authority, nor does it equate to actively performing stewardship responsibilities.

For nearly four decades, MWRA ratepayers have acknowledged and compensated the impacts of hosting through the aforementioned longstanding PILOT payments—structured, guaranteed, and fully funded by the same communities that also fund the costs of DWSP. This compensation recognizes the host communities' role without conflating it with the legal, operational, and environmental stewardship performed by DWSP.

While living alongside the reservoir subjects these communities to meaningful restrictions on land use and development, it also offers lasting benefits. The reservoir's protected lands have preserved the region's quiet, scenic, and rural character—qualities that have shaped the identity and appeal of these communities for generations. Many residents and property owners actively highlight these attributes as part of the area's unique charm, promoting them in real estate listings, tourism materials, and local branding. These attributes contribute to the desirability and appeal of living adjacent to conserved lands, providing aesthetic, environmental, and economic value that has become integral to the region's identity.

Fairness requires recognizing this balance: the host communities, who live with both the burdens and benefits of hosting; the Division of Water Supply Protection (DWSP), who stewards the reservoir and safeguards the watershed; and the MWRA ratepayers, who fund both the stewardship performed by DWSP and the compensation provided to the host communities through longstanding PILOT payments.

III. Sustainability: Preserving Governance and Long-Term Stability

Fairness requires sustainability. The MWRA's governance, fiscal integrity, and operational mission have been sustained over four decades by careful balance among stakeholders and appointing authorities. The legislation threatens that sustainability in multiple ways.

The proposed bill would overturn longstanding legal precedent by expanding PILOT obligations to submerged lands—imposing new, unprecedented costs on MWRA ratepayers and potentially far-reaching unintended consequences for municipalities across the Commonwealth, creating risks that extend well beyond the Quabbin—particularly if other watersheds or utilities seek to replicate this legislative precedent.

At the same time, the legislation proposes to expand the scope of MWRA's system expansion study far beyond the Authority's core service area—mandating the evaluation of communities located well outside the reach of MWRA's existing source waters, infrastructure, and feasible service footprint. The projected cost of this expanded study is estimated at $2.5 million in new unfunded obligations to MWRA ratepayers. Yet for many of the distant communities included, an extension of MWRA service is not a realistic or practical outcome. The purview of this expanded study more closely resembles an economic development initiative than a technical feasibility analysis focused on MWRA's actual system capabilities—placing policy-driven expectations on a public water utility whose mandate, mission, and expertise lie in delivering drinking water, not regional economic planning.

And yet, while these fiscal burdens are significant, the greatest risk posed by the proposed legislation may be to the governance structure that has made the MWRA one of the Commonwealth's most effective and successful public utilities.

The legislation proposes governance changes that would undermine the balance of authority on the MWRA Board—introducing term limits and altering appointment powers in ways that could erode institutional knowledge and destabilize collaborative decision-making. The Advisory Board has long emphasized that the MWRA's success stems not only from technical excellence, but from a governance structure deliberately designed to balance stakeholder interests: no single appointing authority holds a majority, requiring collaboration and shared accountability across state, city, and town representatives.

Public water utilities succeed when governance protects the system from politicization. The MWRA's governance isn't an accident—it's a strength. Dismantling that strength risks compromising one of Massachusetts' greatest public works success stories.

Taken together, the provisions in the proposed legislation impose unfunded mandates, expand MWRA's financial obligations beyond its mission, and destabilize the governance structures that have protected the system's long-term stability.

In Conclusion

The Advisory Board acknowledges the profound and ongoing sacrifices made by the Quabbin watershed communities. We respect their history, honor their role as hosts to the Commonwealth's drinking water supply, and value their partnership in protecting this vital resource.

But fairness must mean fairness to all.

We cannot support a bill that imposes a new, unfunded financial burden on MWRA ratepayers, undermines MWRA governance, creates open-ended fiscal risks, and sets unsustainable precedents for public utilities and water suppliers across the Commonwealth.

In February, the Advisory Board voted to oppose this legislation, affirming our position in a letter presented at the March MWRA Board of Directors meeting. We hope the Legislature will maintain state funding for watershed compensation, preserve the governance integrity of the MWRA, and pursue solutions that balance the interests of all stakeholders across the Commonwealth. To that end, the Advisory Board recommends that the MWRA join us in formally opposing this legislation.

Recommendation: **The Advisory Board recommends that MWRA join the Advisory Board in formally opposing Senate Bill 447/House Bill 897. While acknowledging the historic sacrifices of Quabbin communities, the bill imposes new, unfunded costs on MWRA ratepayers, sets unsustainable statewide precedents, and threatens the long-term financial and governance**

DCR Rangers Enforcement Authority

"Give the Rangers Their Right to Cite"

In Brief

Following the passage of the Police Reform Act in 2020, DCR Rangers lost their authority to issue citations in 2021—a narrow but vital enforcement tool for protecting the Quabbin, Wachusett, and Ware River watersheds. More than four years later, no solution has been implemented, leaving Rangers without this key mechanism for enforcing watershed access and protection rules.

The Advisory Board recommends that MWRA work with the Advisory Board, through their shared roles on the Water Supply Protection Trust, to ensure restoration of citation authority to DCR Rangers and to help equip Rangers with the full set of tools they need to steward these critical resources effectively.

Without this authority, the region risks weakening enforcement, jeopardizing compliance with its filtration waiver, and triggering the need for a filtration plant—an outcome carrying an updated estimated cost of **$587 million in capital construction, $33.5 million annually in operations, and substantial additional greenhouse gas emissions and energy use.**

In Depth

Background & Timeline

In 2020, the Police Reform Act was enacted as a landmark public safety reform. One little-known outcome of this legislation emerged in 2021, when DCR Rangers lost their authority to issue citations under state law—a critical enforcement tool for public access and watershed protection rules across the Quabbin, Wachusett, and Ware River watersheds.

While likely an unintended consequence of broader reform efforts, the result left Rangers reliant solely on education, outreach, and informal warnings to manage violations. Like other recent legislative examples—such as the proposed legislation regarding the Quabbin communities (Bill S.546) addition of underwater lands to the PILOT payments—this reflects how well-intended reforms can sometimes yield unforeseen impacts in niche areas of public policy.

Four years later, despite repeated discussions, no legislative or regulatory fix has been enacted to restore this authority. The enforcement gap continues to pose both operational and regulatory risks.

Elevating the Issue: Data and Analysis

General William Meehan, a Water Supply Protection Trust member representing recreational organizations in the watershed, kept attention on this issue at Trust meetings, raising concern over the growing enforcement gap. Recognizing the broader implications, the Advisory Board launched a deeper analysis of enforcement data, extending back before the pandemic to control for anomalies and establish a more reliable baseline.

This analysis, presented at the **September 2024 Water Supply Protection Trust meeting**, revealed troubling trends:

- Ranger encounters and contacts declined by nearly **25% from pre-pandemic levels**, falling from over 50,000 in FY2018 to under 40,000 in FY24.

- Violations per encounter nearly **tripled** during the same period.

- Formal enforcement actions dropped sharply: citations fell sharply about halfway through FY22 following the loss of authority and declined to **zero in FY23**, the first full year without the ability to issue them.

These findings, reinforced by accompanying charts, made clear that while violations were

increasing, Rangers had lost the tools necessary to respond proportionally and effectively.

Importantly, this issue is **not a reflection on the dedication of DWSP staff and Rangers, who remain the front line of watershed protection—stewarding these lands tirelessly despite the loss of this critical enforcement tool.** Restoring citation authority is about equipping these frontline staff with the resources and authority they need to protect the watershed effectively.

Strategic Escalation and Direct Advocacy

Despite presenting this analysis at the September 2024 Trust meeting, the Advisory Board observed that no direct or meaningful action was being taken to resolve the issue. In response, Advisory Board staff escalated the matter by contacting senior DEP leadership during finalization of the 2024 compliance reports—pursuing the next available avenue after governance-level engagement failed to yield progress.

This proactive escalation reflects the Advisory Board's established pattern of advocacy: whether addressing unauthorized trail cutting, spotlighting off-trail mountain biking, or helping resolve hiring bottlenecks at DCR, the Advisory Board has consistently combined data, appealing to the formal body that governs the policy, and direct agency outreach and coordination to advance watershed protection solutions.

The Advisory Board's outreach emphasized that the enforcement gap represents a **direct threat to the filtration waiver**, raising both water quality risks and significant financial and environmental stakes—including an updated capital cost estimate of **$587 million, $33.5 million in annual operations**, and increased greenhouse gas emissions and energy demands if filtration is required.

Compliance Letter: A Qualified Win

This advocacy contributed to MassDEP's inclusion of a formal requirement in the **2024 Wachusett Reservoir Compliance Letter** directing DCR **to "pursue the authority and means to issue written citations and fines"** and to report back by June 1, 2025.

While this requirement marks an important policy milestone, the Advisory Board recognizes its limitations: it mandates pursuit, but **not achievement** of restored authority; it requires a report back but, **not a solution deadline**; and it allows "other incentives" as potential substitutes. In short, the compliance letter creates a pathway forward but leaves significant room for delay, insufficient action, or alternative measures that may fail to address the core enforcement gap.

Where We Go From Here

To close the gap between intent and action, the Advisory Board urges MWRA to work alongside the Advisory Board through their shared roles on the Water Supply Protection Trust. Active collaboration will be critical to sustaining focus, holding stakeholders accountable, and advocating for the restoration of this essential enforcement tool.

In Conclusion

The Advisory Board recommends that MWRA work with the Advisory Board, through their shared roles on the Water Supply Protection Trust, to ensure restoration of citation authority to DCR Rangers. Restoring this authority is essential to providing Rangers with the tools they need to steward the watershed, sustain source water protection, and avoid the costly and unnecessary consequence of triggering a filtration requirement.

Recommendation: The Advisory Board recommends that MWRA work with the Advisory Board, through their shared roles on the Water Supply Protection Trust, to ensure restoration of citation authority to DCR Rangers. Restoring this authority is essential to providing Rangers with the tools they need to steward the watershed, sustain source water protection, and avoid the costly and unnecessary consequence of triggering a filtration requirement.

Watershed Forest Management

In Brief

The Quabbin/Ware River and Wachusett watersheds are the living filter for MWRA's water supply system. The forests surrounding these reservoirs are not just scenic—they're essential infrastructure. The MWRA's EPA filtration waiver depends on their health and resilience.

That's why the Advisory Board continues to support carefully considered and deliberately limited active forest management. These practices help accelerate forest diversity and resilience in the face of climate threats, while protecting the long-term viability of passive water filtration.

Public pressure to curtail this work is growing. To preserve public trust and protect the filtration waiver, MWRA and DCR-DWSP must improve how they communicate the purpose and impact of this work—and invite independent evaluation to help verify that goals are being met.

In Depth

The forests of the Quabbin/Ware River and Wachusett watersheds are not a scenic backdrop. They are essential infrastructure, filtering rainwater and protecting reservoirs that provide drinking water to over 3 million people. The MWRA's filtration avoidance waiver from the EPA—rarely granted and even more rarely sustained—depends not just on clean water but on the long-term ecological health of these forests.

That health isn't accidental. It is the product of decades of carefully considered and deliberately limited active management, carried out by DCR's Division of Water Supply Protection (DWSP). These practices are designed to accelerate structural and species diversity in forests that were heavily shaped by logging and the Hurricane of 1938—leaving behind mostly even-aged stands with limited resilience to pests, extreme weather, and rising temperatures. Left untouched, these forests might recover diversity over centuries. But in the face of accelerating climate threats, that timeline is no longer tenable.

By harvesting less than 1% of watershed forests annually in small, scattered parcels, DWSP fosters regeneration that enhances forest structure and water protection. This isn't logging for revenue—it is forestry for resilience. It's a public good, rooted in science, carried out in the public interest, and done as a deliberate act of **stewardship**. This approach doesn't undermine climate goals—it helps meet them.

The Advisory Board strongly supports this strategy as a long-term insurance policy for the region's water system and the climate benefits it delivers. We were pleased that the Healey-Driscoll Administration's *Forests as Climate Solutions* initiative affirmed that watershed forests serve a distinct purpose—filtering drinking water—and must therefore be treated differently from other Commonwealth forests. While most state-owned lands may benefit from more passive management to maximize carbon storage, watershed forests must be managed for resilience, not just sequestration.

That said, the broader debate over forest management continues. Some stakeholders continue to call for blanket restrictions or outright moratoriums on all forestry activity across public lands. These arguments often resurface with little recognition of the scale, purpose, or outcomes of DWSP's work. Without context, the risk is that public understanding gets shaped more by imagery and outrage than by evidence.

Public pressure to halt forestry in the Quabbin and other public forests is mounting—and growing louder. Newspaper headlines and advocacy campaigns increasingly frame forest management as environmentally harmful or extractive. (See graphic.) These narratives ignore scale, intent, and context, but they are compelling and easy to understand. Meanwhile, the science-based rationale for active watershed forestry can be complex, slow-moving, and undercommunicated. Without intervention, this imbalance threatens the filtration waiver and the long-term strategy it supports.

Even the best forest operations can be visually jarring. A freshly harvested parcel can appear stark and unnatural—especially in the absence of explanation. These emotional responses are entirely understandable. But when not met with clear, accessible information, they are easily amplified and blown out of proportion. A single harvest can drive public perception far more powerfully than the quiet process of forest recovery—which, by design, may take years before the benefits of regrowth become visible.

Failure to engage in public dialogue with science- and natural history-based communications—or to equip others to do so—creates a void that will continue to be filled by voices without a vested interest in protecting public water supply. That vacuum presents a real threat to the future of the MWRA's filtration waiver.

Recommendation: the Advisory Board recommends that MWRA, in its role on the Water Supply Protection Trust, should advocate for DCR-DWSP to engage a science communicator to tell the story of the "why," "how," and "what for" of active watershed forest management in a way that is accurate, accessible, and compelling.

To be clear: the Advisory Board is not asking for spin. DCR-DWSP already houses extensive data and documentation. The issue is visibility and context.

We commend DWSP's recent efforts to develop a promising ArcGIS StoryMap tool—an evolving platform rich with science and natural history data. But the site is difficult to find, hard to navigate, and mostly unknown to the general public. The Advisory Board sees real potential in this resource to support short, accessible multimedia presentations—similar to the one recently developed to explain the DCR's and other community partners' use of salt brine—to communicate forest management strategy in clear, digestible terms.

At the same time, public trust in forest management would benefit from outside validation. Because DWSP sells timber harvest contracts, there is persistent skepticism among critics who assume economic motives drive decision-making. Even when those concerns are unfounded, the perception lingers.

DCR-DWSP employs highly credentialed and experienced natural resource professionals, focused on forest health and water quality outcomes. Their work is guided by long-term management plans, evaluated through Continuous Forest Inventory (CFI) plots, and rooted in decades of research. The **Quabbin and Wachusett forests** are among the most studied in New England. But data alone does not build trust—independent interpretation and verification are also required.

Recommendation: the Advisory Board recommends that MWRA should advocate for DCR-DWSP to allow and facilitate an independent assessment of its progress toward the long-term objective: a resilient, multi-aged, multi-species forest capable of delivering passive water filtration and climate stability amid rising environmental stress.

The institutions to support such a review are close at hand. The **University of Massachusetts Amherst**, **Harvard Forest**, and other academic partners have both the technical expertise and public credibility to serve as impartial evaluators. Their involvement would help ensure that forest management remains adaptive, transparent, and guided by science—and would support the public in understanding that this work is fundamentally about protection, not profit.

The MWRA and Advisory Board have invested more than **$850 million over the past 40 years** to protect and steward the Quabbin/Ware River and Wachusett watersheds—including over **$270 million for land acquisition and conservation restrictions** alone. This sustained commitment reflects more than just regulatory compliance; it demonstrates a long-held understanding that protecting these forests is a long-term investment in the region's future. These forests are not managed casually or for short-term gain. They are managed as a deliberate act of stewardship—with the recognition that the water they safeguard sustains us today and must continue to sustain future generations. That kind of intergenerational responsibility requires foresight, patience, and care across decades, not just years.

In Conclusion

The Advisory Board's focus is not on a single harvest, or this year's headlines. It is on the forest's future. These watershed forests are working infrastructure—natural systems with engineering and life consequences. Their health determines our water quality, our rate stability, and our climate readiness.

To preserve that future, carefully considered and deliberately limited management must be met with three things**: clear public communication, independent validation, and enduring public trust**. The forest is doing its part. Now it's up to us to make sure the public sees why it matters.

Conclusion

Clarity, Alignment, and the Long View

The Advisory Board's recommendations for FY 2026 aim to reinforce MWRA's long-term fiscal resilience while staying grounded in the day-to-day concerns of its member communities. Reducing the proposed combined Rate Revenue Requirement (RRR) increase from 2.98% to 2.70% is a modest step—but one made with intentionality and purpose-aligned focus.

A central theme this year is the need to re-engage in strategic, long-range rate planning. That's why the Advisory Board is recommending the reconvening of the Long-Term Rates Management Committee (LTRMC)—a forum that, in previous years, helped MWRA and its stakeholders navigate uncertainty and sharpen cost forecasting. Many of this year's recommendations—across both capital and operating budgets—would benefit from the kind of cross-disciplinary, rate-focused dialogue the LTRMC was designed to support.

For example, the issue of **overbudgeting in Wages, Salaries, and Fringe Benefits**—which has generated sizable year-end surpluses in recent years—cannot be solved by technical adjustments alone. This year, the Advisory Board made only a modest change to MWRA's assumed vacancy rate. Instead, we paired that adjustment with a companion policy recommendation: redirect unspent funds to related long-term obligations (active employee salaries to Pension, fringe benefit surpluses to OPEB). If MWRA declines that approach, then the expenses themselves should be right-sized and any intentional surplus should be transparently labeled as a budgeted pre-payment of debt. Either pathway reinforces the need for clear fiscal intent—something best sustained through a revived LTRMC structure.

On the **capital side**, MWRA faces the most significant project portfolio in decades, with multi-billion-dollar initiatives like the Metro Tunnel Redundancy and CSO LTCP revisions poised to reshape out-year costs. Affordability will depend on clear prioritization, disciplined pacing, and strong cost estimation—areas that would benefit from the kind of rate-capacity framing the LTRMC previously helped provide.

Even the **disparity in the rate of increase between water and sewer assessments**, which may seem purely technical, has long-term implications. The combined rate of increase may be stable, but for communities with separate water and sewer enterprises, an imbalance in year-over-year growth creates real local budget pressure. Here again, the LTRMC could help MWRA explore strategies to reduce volatility and improve equity across the two utilities.

Beyond rate planning, the Advisory Board remains steadfast in its policy positions. We **strongly oppose H.897/S.447**, which would impose tens of millions of dollars in added costs on MWRA ratepayers to benefit a limited group of Quabbin-area communities. The legislation is not about regional equity—it is about extracting value from one set of communities to serve another. The burden would fall heaviest on lower-income and environmental justice communities already struggling with affordability. That is not fairness; it is cost-shifting dressed in rhetoric.

Finally, we remain deeply concerned about **unresolved watershed policy issues**. The Advisory Board supports continued, science-based active forest management and restoration of enforcement tools for

DCR Rangers. These operational safeguards help preserve MWRA's filtration waiver—an asset that saves hundreds of millions in capital and operating costs while avoiding the emissions footprint of a full-scale filtration plant. Failing to protect these practices risks undermining both the system's environmental performance and its rate structure.

As we mark the 40th anniversary of MWRA's enabling legislation, we honor the collaborative spirit that built one of the nation's most successful public water and wastewater systems. The Advisory Board is proud of the role it has played—not just as a reviewer of budgets, but as a shaper of policy, a check on financial drift, and an enduring advocate for ratepayer fairness. We thank MWRA for forty years of partnership—and we look forward to what the next forty will bring.

Matthew A. Romero
Executive Director

Appendix A

List of Recommendations

1. The Advisory Board recommends applying an additional vacancy rate adjustment equal to approximately 50% of the 81-FTE gap, or 42 FTEs.

2. The Advisory Board recommends assigning 28 FTEs to the sewer side ($3.22 million) and 14 FTEs to the water side ($1.61 million).

3. The Advisory Board recommends reducing Fringe Benefits by $966,000 as part of its overall vacancy rate adjustment recommendation.

4. That MWRA conduct a comprehensive review of current cost estimates for all water and wastewater projects in the CIP to ensure projections reflect current market conditions. These revised estimates should then be used to assess future rate capacity and model the anticipated impact of debt service from the Metro Tunnel and CSO LTCP projects, in coordination with the work of the Long-Term Rates Management Committee.

5. The Advisory Board recommends that MWRA advance only CSO projects that deliver clear, measurable water quality improvements, environmental justice benefits, and strong returns on investment. At the same time, MWRA should elevate growing regional threats like SSOs, I/I, and stormwater — and support scalable solutions through programs like the I/I Grant/Loan initiative.

6. The Advisory Board recommends that MWRA explore and report back to the Advisory Board and MWRA Board of Directors on viable mechanisms to fund system expansion infrastructure costs upfront and recover those costs from expansion communities or developments over time.

7. The Advisory Board recommends that MWRA join the Advisory Board in formally opposing Senate Bill 447/House Bill 897. While acknowledging the historic sacrifices of Quabbin communities, the bill imposes new, unfunded costs on MWRA ratepayers, sets unsustainable statewide precedents, and threatens the long-term financial and governance stability of the MWRA system.

8. The Advisory Board recommends that MWRA work with the Advisory Board, through their shared roles on the Water Supply Protection Trust, to ensure restoration of citation authority to DCR Rangers. Restoring this authority is essential to providing Rangers with the tools they need to steward the watershed, sustain source water protection, and avoid the costly and unnecessary consequence of triggering a filtration requirement.

9. MWRA, in its role on the Water Supply Protection Trust, should advocate for DCR-DWSP to engage a science communicator to tell the story of the “why,” “how,” and “what for” of active watershed forest management in a way that is accurate, accessible, and compelling.

10. MWRA should advocate for DCR-DWSP to allow and facilitate an independent assessment of its progress toward the long-term objective: a resilient, multi-aged, multi-species forest capable of delivering passive water filtration and climate stability amid rising environmental stress.

Appendix B

List of Comments

1. As structural vacancies persist, future discussion may need to address whether long-unfilled positions should be reclassified, consolidated, or removed altogether to improve budget transparency and align workforce planning with operational priorities.

2. The Advisory Board expects MWRA to update its personnel expenses in the final budget to reflect a $1.1 million increase for wages and salaries, an $8,000 increase for overtime, and a $1.17 million increase for fringe benefits.

3. The Advisory Board expects MWRA to update its maintenance expenses in the final budget to reflect a $1.49 million increase on the sewer side, a $1.22 million decrease on the water side, and a net increase of $268,000 overall.

4. The Advisory Board expects MWRA to update its Other Services budget to reflect Spring Revisit adjustments, which include a $1,763,812 decrease on the sewer side, a $167,599 increase on the water side, and a net decrease of $1,596,213 Authority-wide.

5. The Advisory Board expects MWRA to update its Other Materials expenses in the final budget to reflect a $272,866 increase for sewer, a $109,475 increase for water, and an overall increase of $382,341. This increase is driven primarily by the addition of approximately $375,000 in computer hardware.

6. The Advisory Board expects MWRA to update its Professional Services budget to reflect Spring Revisit adjustments, consisting of a $279,660 increase on the sewer side, a $96,639 increase on the water side, and a net increase of $376,299 Authority-wide.

7. The Advisory Board expects MWRA to update its utility expenses in the final budget to reflect a $2.1 million increase for electricity and a $63,000 increase for natural gas.

8. The Advisory Board has previously recommended that a larger share of the Retirement Fund be invested in the PRIT fund and continues to support MWRA's plan to expand PRIT's share of the portfolio in the years ahead.

The Dunphy Sheet

Combined Water & Sewer Utility

IMPACTS ON RATE REVENUE REQUIREMENT	Water	Sewer	Combined
Final FY2025 RRR	$ 311,379,328	$ 544,108,672	$ 855,488,000
Proposed FY2026 RRR	$ 323,597,942	$ 557,408,058	$ 881,006,000
MWRA Proposed FY26 RRR Increase	**3.92%**	**2.44%**	**2.98%**
AB Recommendations	$ (2,731,651)	$ 275,422	$ (2,456,229)
FY2026 RRR, less changes	$ 320,866,291	$ 557,683,480	$ 878,549,771
Advisory Board Recommended FY26 RRR Increase	**3.05%**	**2.49%**	**2.70%**

IMPACTS ON EXPENDITURES		
MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY26 CEB		
	Water	**Sewer**
Staffing (vacancy rate assumptions)	$ (1,610,000)	$ (3,220,000)
Fringe benefits	$ (322,000)	$ (644,000)
Rate stabilization funds	$ -	
Advisory Board budget reduction	$ -	$ -
Subtotal AB Recommendations	**$ (1,932,000)**	**$ (3,864,000)**
ANTICIPATED ADJUSTMENTS TO PROPOSED FY26 CEB		
Direct & Indirect Cost Changes		
	Water	**Sewer**
Wages & Salaries	$ 84,192	$ 1,013,935
Overtime	$ (6,924)	$ 15,010
Fringe Benefits	$ 441,947	$ 730,549
Workers Comp	$ (11,908)	$ 11,908
Chemicals	$ (679,776)	$ (115,972)
Energy & Utilities	$ 583,418	$ 1,579,523
Maintenance	$ (1,217,384)	$ 1,485,216
Training and Meetings	$ 23,307	$ 39,193
Professoinal Services	$ 96,639	$ 279,660
Other Materials	$ 109,475	$ 272,866
Other Services	$ 167,599	$ (1,763,812)
	$ -	$ -
	$ -	$ -
	$ -	$ -
Subtotal of Changes to Operating Costs	**$ (409,415)**	**$ 3,548,076**
Revenue & Income		
Water Spring Revisits	$ -	
Sewer Spring Revisits	$ -	
Subtotal of Rate & Revenue	**$ -**	
OPERATING RESERVE REQUIREMENT ADJUSTMENT Updated based on applicable adjustments; applies only to direct and indirect costs (revenue not		
Operating Reserve Requirement	$ (390,236)	$ 591,346
NET CHANGES TO PROPOSED FY26 CEB	**$ (2,731,651)**	**$ 275,422**

Combined Water & Sewer Utility

IMPACTS ON RATE REVENUE REQUIREMENT		Amount
Final FY2025 RRR	$	855,488,000
Proposed FY2026 RRR	$	881,006,000
MWRA Proposed FY26 RRR Increase		**2.98%**
AB Recommendations	$	(2,456,229)
FY2026 RRR, less changes	$	878,549,771
Advisory Board Recommended FY26 RRR Increase		**2.70%**

IMPACTS ON EXPENDITURES		Amount	Description
MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY26 CEB			
water	$	(1,932,000)	
sewer	$	(3,864,000)	
Debt Service Assistance			
Subtotal AB Recommendations	**$**	**(5,796,000)**	
ANTICIPATED ADJUSTMENTS TO PROPOSED FY26 CEB			
Direct & Indirect Cost Changes			
Water Spring Revisits	$	(409,415)	
Sewer Spring Revisits	$	3,548,076	
Subtotal of Changes to Operating Costs	**$**	**3,138,661**	
Revenue & Income			
Water Spring Revisits	$	-	
Sewer Spring Revisits	$	-	
Subtotal of Rate & Revenue	**$**	**-**	
OPERATING RESERVE REQUIREMENT ADJUSTMENT			
Operating Reserve Requirement	$	201,110	*Updated based on applicable adjustments; applies only to direct and indirect costs (revenue not included)*
NET CHANGES TO PROPOSED FY25 CEB	**$**	**(2,456,229)**	

Appendix C

The Dunphy Sheet

Sewer Utility

IMPACTS ON RATE REVENUE REQUIREMENT		Amount
Final FY2025 RRR	$	544,108,672
Proposed FY2026 RRR	$	557,408,058
MWRA Proposed FY26 RRR Increase		**2.44%**
AB Recommendations	$	275,422
FY2026 RRR, less changes	$	557,683,480
Advisory Board Recommended FY26 RRR Increase		**2.49%**

IMPACTS ON EXPENDITURES		Amount	Description
MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY26 CEB			
Staffing (vacancy rate assumptions)	$	(3,220,000)	@$115K/FTE (salary only)
Fringe benefits	$	(644,000)	MWRA doesn't include fringe benefits reduction as part of vacancy rate.
Advisory Board budget reduction			
Subtotal AB Recommendations	**$**	**(3,864,000)**	
ANTICIPATED ADJUSTMENTS TO PROPOSED FY26 CEB			
Direct & Indirect Cost Changes			
Wages & Salaries	$	1,013,935	*Increase driven by Stand By Pay ($878K) per new collective bargaining agreements.*
Overtime	$	15,010	*Minor change based on operational needs.*
Fringe Benefits	$	730,549	*Due to increased Health Insurance rates for FY26 per the GIC.*
Workers Comp	$	11,908	*Utility reclassification. No net change to CEB from proposed.*
Chemicals	$	(115,972)	*Driven by reductions to Sodium Hypochlorite (-$561K) based on favorable contract pricing.*
Energy & Utilities	$	1,579,523	*Increase driven by Electricity ($2.1M) and Natural Gas ($63K) based on updated pricing.*
Maintenance	$	1,485,216	*Increase driven by updated cost estimates and results of project prioritization review.*
Training and Meetings	$	39,193	*Increase based on anticipated training needs/conference attendance.*
Professional Services	$	279,660	*Increase driven by Computer Systems Consultant ($285K) and Legal Services ($150K) based on anticipated needs.*
Other Materials	$	272,866	*Increase driven by Computer Hardware ($375K) based on anticipated needs.*
Other Services	$	(1,763,812)	*Driven by lower Sludge Pelletization (-$1.9M) based on updated inflation assumptions and Grit & Screenings (-$237K) based on updated pricing.*
Subtotal of Changes to Operating Costs	**$**	**3,548,076**	
Revenue & Income			
Investment Income			
Subtotal of Rate & Revenue	**$**	**-**	
OPERATING RESERVE REQUIREMENT ADJUSTMENT			
Operating Reserve Requirement	$	591,346	*Updated based on applicable adjustments; applies only to direct and indirect costs (revenue not included)*
NET CHANGES TO PROPOSED FY26 CEB	**$**	**275,422**	

Appendix C

The Dunphy Sheet

Water Utility

IMPACTS ON RATE REVENUE REQUIREMENT		Amount
Final FY2025 RRR	$	311,379,328
Proposed FY2026 RRR	$	323,597,942
MWRA Proposed FY26 RRR Increase		**3.92%**
AB Recommendations	$	(2,731,651)
FY2026 RRR, less changes	$	320,866,291
Advisory Board Recommended FY26 RRR Increase		**3.05%**

IMPACTS ON EXPENDITURES	Amount	Description
MWRA ADVISORY BOARD RECOMMENDATIONS FOR FY26 CEB		
Staffing (vacancy rate assumptions)	$ (1,610,000)	@$115K/FTE (salary only)
Fringe benefits	$ (322,000)	
Rate stabilization funds		
Advisory Board budget reduction		
Subtotal AB Recommendations	**$ (1,932,000)**	
ANTICIPATED ADJUSTMENTS TO PROPOSED FY26 CEB		
Direct & Indirect Cost Changes		
Wages & Salaries	$ 84,192	*Increase driven by Stand By Pay ($878K) per new collective bargaining agreements.*
Overtime	$ (6,924)	*Minor change based on operational needs.*
Fringe Benefits	$ 441,947	*Due to increased Health Insurance rates for FY26 per the GIC.*
Workers Comp	$ (11,908)	*Utility reclassification. No net change to CEB from proposed.*
Chemicals	$ (679,776)	*Driven by reductions to Sodium Hypochlorite (-$561K) and Liquid Oxygen (-$118K) based on favorable contract pricing.*
Energy & Utilities	$ 583,418	*Increase driven by Electricity ($2.1M) and Natural Gas ($63K) based on updated pricing.*
Maintenance	$ (1,217,384)	*Increase driven by updated cost estimates and results of project prioritization review.*
Training and Meetings	$ 23,307	*Increase based on anticipated training needs/conference attendance.*
Professional Services	$ 96,639	*Increase driven by Computer Systems Consultant ($285K) and Legal Services ($150K) based on anticipated needs.*
Other Materials	$ 109,475	*Increase driven by Computer Hardware ($375K) based on anticipated needs.*
Other Services	$ 167,599	*Minor adjustments from proposed.*
Subtotal of Changes to Operating Costs	**$ (409,415)**	
Revenue & Income		
Investment Income		
Subtotal of Rate & Revenue	**$ -**	
OPERATING RESERVE REQUIREMENT ADJUSTMENT		
Operating Reserve Requirement	$ (390,236)	*Updated based on applicable adjustments; applies only to direct and indirect costs (revenue not included)*
NET CHANGES TO PROPOSED FY26 CEB	**$ (2,731,651)**	

MWRA ADVISORY BOARD MEMBERS

CITY/TOWN	CEO	DESIGNEE
ARLINGTON	Jim Feeney	Michael Rademacher*
ASHLAND	Michael Herbert	Dan Maurer
BEDFORD	Matthew Hanson	David Manugian*
BELMONT	Patrice Garvin	Jason Marcotte/Mark Mancuso
BOSTON	Michelle Wu	John Sullivan, Jr.*
BRAINTREE	Erin Joyce	
BROOKLINE	Charles Carey	Jay Hersey*
BURLINGTON	John Danizio	Brian White
CAMBRIDGE	Yi-An Huang	Kathy Watkins/Jim Wilcox
CANTON	Charles Doody	Michael Trotta
CHELSEA	Fidel Maltez	Cate Fox-Lent
CHICOPEE	John Vieau	Elizabette Botelho
CLINTON	Michael Ward	
DEDHAM	Leon Goodwin	Jason L. Mammone
EVERETT	Carlo DeMaria	
FRAMINGHAM	Charlie Sisitsky	Stephen Leone/Stephanie Tarves
HINGHAM	Tom Mayo	
HOLBROOK	Michael McGovern	
LEOMINSTER	Dean Mazzarella	
LEXINGTON	Steve Bartha	David Pavlik*
LYNN	Jared Nicholson	Daniel F. O'Neill
LYNNFIELD	Robert Dolan	James Finegan
MALDEN	Gary Christenson	Yem Lip*
MARBLEHEAD	Thatcher Kezer	Amy McHugh
MARLBOROUGH	J. Christian Dumais	
MEDFORD	Breanna Lungo-Koehn	Timothy McGivern
MELROSE	Jennifer Grigoraitis	Elena Proakis Ellis*
MILTON	Nicholas Milano	Marina Fernandes
NAHANT	Antonio Barletta	F. Thom Donahue
NATICK	James Errickson	
NEEDHAM	Kate Fitzpatrick	Michael Retzky/John Terry
NEWTON	Ruthanne Fuller	Thomas Fitzgerald
NORTHBOROUGH	Stephanie Bacon	Daniel F. Nason
NORWOOD	Tony Mazzucco	Mark Ryan
PEABODY	Ted Bettencourt	
QUINCY	Thomas Koch	Margaret Laforest
RANDOLPH	Brian Howard	
READING	Matthew Kraunelis	Chris Cole/Michael Kessman
REVERE	Patrick Keefe Jr.	Nicholas J. Rystrom*
SAUGUS	Scott Crabtree	Brendan O'Regan*
SOMERVILLE	Katjana Ballantyne	Richard Raiche**
SOUTH HADLEY	Lisa Wong	
SOUTHBOROUGH	Mark Purple	Sam Stivers*/William Cundiff
STONEHAM	Dennis Sheehan	John DeAmicis*
STOUGHTON	Thomas Calter	Phil McNulty
SWAMPSCOTT	Gino Cresta	Gino A. Cresta, Jr.
WAKEFIELD	Stephen Maio	Joseph Conway/Eric Sherman
WALPOLE	James Johnson	Patrick Fasanello
WALTHAM	Jeannette McCarthy	Michael Chiasson/Ian McKenzie
WATERTOWN	George Proakis	
WELLESLEY	Meghan Jop	David Cohen
WESTON	Leon Gaumond Jr.	
WESTWOOD	Christopher Coleman	Robert Rafferty
WEYMOUTH	Robert Hedlund	Kenan J. Connell
WILBRAHAM	Nick Breault	
WILMINGTON	Eric Slagle	Joseph Lobao
WINCHESTER	Beth Rudolph	
WINTHROP	Tony Marino	
WOBURN	Scott Galvin	Anthony Blazejowski
WORCESTER	Eric Batista	John Westerling/Sean Divoll

*Member of the Executive Committee
** Chairman of the Executive Committee

Gubernatorial Appointees
Quabbin and Ware Watershed –J. R. Greene
Wachusett Watershed – Barbara Wyatt
Environmental Protection – Vacant
Connecticut River Basin – Vacant
Boston Harbor – Vacant (2)

MAPC Appointee:
*Maurice Handel**

Advisory Board Designees to the MWRA Board of Directors:

Lou Taverna – Newton
Andrew Pappastergion - Brookline
Joseph Foti - Chelsea