

## Memorandum


To: Mimi Brody, Kate English, Ellen Harrington  
From: Mary Jeka ~~MEJ~~  
Re: Budget Committee request  
Date: September 27, 1996

The Boston office of GAO called this week seeking information about the Boston Harbor Project. Bruce Skud of GAO stated that Wayne Struble, a staffperson on the House Budget Committee had a series of questions about the project.

I thought that our response would be useful information since it involves questions that are frequently asked.

Call Luke Thompson or me if you have any questions.

cc Kirk O'Donnell, Sean D'Arcy

**To:** Bruce Skud, U.S. GAO  
**From:**  Luke Thompson, MWRA  
**Date:** September 24, 1996  
**Re:** Response to Boston Harbor Project Information Request

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\* What is the schedule for completing the Boston Harbor Project?

The current schedule calls for the completion of construction of Secondary Treatment Battery C in December, 1999 as set forth in the Federal Court schedule. While this is the last milestone in the court schedule, some ancillary elements of the project such as final paving and landscaping of the site may continue for about six months beyond that date.

\* What are the project's total costs?

The projected cost for the entire project is \$3.6 billion, including inflation.

\* What is the amount of funding still needed?

The answer to this question is dependent upon the expansiveness or restrictiveness of the federal criteria regarding funding eligibility. It's fairly clear from the answer to your next question that, under present conditions, the ratepayers in the Boston area will foot the great majority of the project costs since a large portion of these costs were incurred prior to appropriation of appreciable amounts of federal or state funds. Since EPA Title II grant regulations prohibit federal funding of costs incurred prior to the date of grant award, MWRA contract awards of hundreds of millions of dollars have not been able to be funded with federal grants. These contracts were awarded in order to adhere to the rigorous federal court schedule for the project; as a result, the ratepayers are footing the entire bill for these elements of the project.

If this regulatory restriction could be waived, an additional \$1.3-1.8 billion dollars of the Boston Harbor Project could qualify for additional federal grants.

If, on the other hand, the Title II prohibition against paying for incurred costs continues to be applicable to the project, the amount of potentially eligible contract work that could be funded is much limited:

Secondary Battery C	\$144.4 million
Final Paving & Landscaping	29.1
Western Shoreline Protection	20.2
Dry Storage Building	<u>4.2</u>
	197.9
Normal 10% contingency on above	19.8
Various potential increases on existing grants	<u>60.0</u>
	79.8
<b>Total potential costs (under Title II)</b>	<b>\$277.7</b>

Please note that these are the potential contract costs; the amount of funding would depend upon the percentage of federal participation in these costs.

\* What are the sources of funding and how much will each source provide?

Based upon past grant appropriations and SRF loans executed to date, the sources of the \$3.6 million project cost will be:

Federal Grants & SRF	\$700	19%
State Grants & SRF	145	4%
Rate Payers	2,755	77%
State Debt Service Assistance to Rate Payers over 30 Years	555	15%
Net Rate Payers	2,200	61%

SRF is the State Revolving Loan Fund authorized by Title VI of the Clean Water Act Amendments of 1987. Federal funds are supplemented with a 20% state fund match and this pool of funds is lent to entities like MWRA at terms that are more favorable than market terms. In the chart above, our SRF loans have been converted to the grant equivalent of the various loans with the grant benefit allocated proportionately to the federal and state funds which were the pool for each loan.

State Debt Service Assistance is a program that provides a 20% subsidy of certain wastewater-related debt service. It requires an annual appropriation by the Massachusetts legislature. If the legislature continues to appropriate adequate funds for the next thirty years (the usual term of MWRA long term debt), our rate payers will avoid paying debt service on \$555 million of the project costs. Of course, if the legislature should discontinue this program, the share of the Boston Harbor project

borne by the rate payers will increase.

\* What are the federal funding sources?

To date the project has received \$700 million in federal support as follows:

Title II Grants (FY85-89)	54
Special Boston Harbor Appropriations (FY88-91)	79
Special Boston Harbor Appropriation (FY92)	100
Special Boston Harbor Appropriation (FY93)	100
Special Boston Harbor Appropriation (FY94/95)	250
Special Boston Harbor Appropriation (FY96)	50
SRF Grant Equivalents (Various Title VI Appropriations)	<u>67</u>
	700

Please feel free to contact me if you have questions after reviewing this information or if you need additional information.

Luke Thompson

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