

Milwaukee Water Works

2018 Budget Overview

Finance & Personnel Committee

October 16, 2017

Performance Measures

Measure	2016 Actual	2017 Planned	2018 Estimated
Rank of highest rate /Ccf of water among Class AB utilities in the 7-county metro area	20 of 25	21 of 25	21 of 25
Rate of Return [PSC Annual Report]	3.81%	3.80%	3.59%
Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act	100%	100%	100%
Main breaks	433	400	350

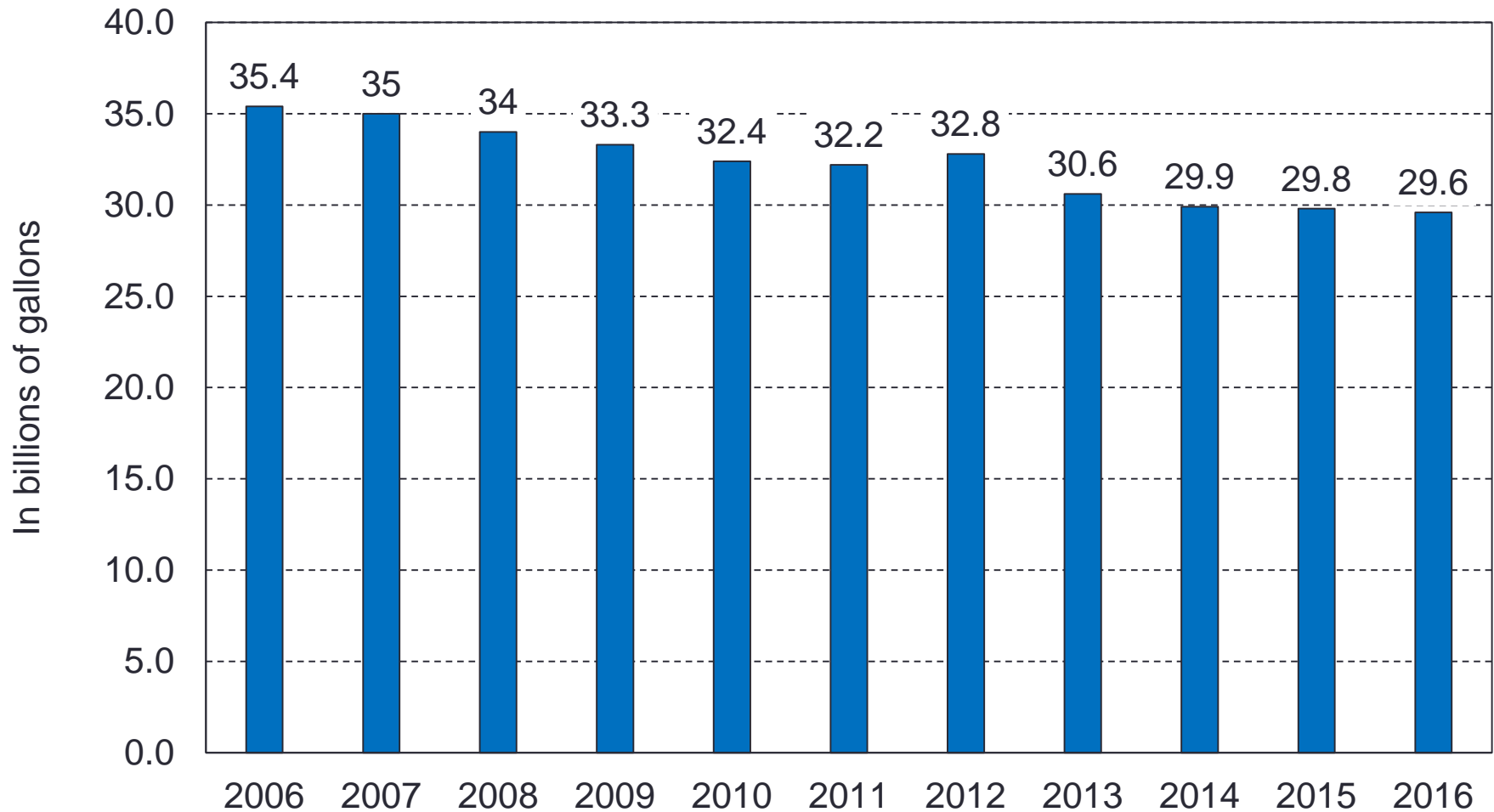
Budget Summary

	2017 ADOPTED BUDGET	2018 PROPOSED BUDGET	DIFFERENCE (amount, %)
FTEs – O&M	358.95	371.02	+12.07 (+3.4%)
FTEs - Other	20.97	20.07	-0.90 (-4.3%)
Salaries & Wages	\$19,252,667	\$20,032,133	+\$779,466 (+4.0%)
Fringe Benefits	9,331,333	10,450,961	+1,080,544 (+11.6%)
Operating Expenditures	55,297,000	55,707,000	+410,000 (+0.7%)
Equipment	3,693,000	4,096,990	+403,990 (+10.9%)
Special Funds	7,191,000	11,031,000	+3,840,000 (+53.4%)
TOTAL	\$94,765,000	\$101,279,000	+\$6,514,000 (+6.9%)

Key Operating Budget Changes and Highlights

- ❑ 11 new positions, \$880,000 increase to Salary and Fringe Benefits
 - 3 positions for increased main replacement
 - 5 positions for lead service line program
 - 1 IT position
 - 2 seasonal customer service workers
- ❑ \$3.3 million increase in debt service
- ❑ Increase from \$6.6m to \$8.8m for Lead Service Line Replacement
 - \$4.4 million for utility side replacements
 - \$1.2 million for property owner contribution to private side replacement
 - \$3.2 million for City/DNR contribution for private side replacement

Annual Water Sales 2006 through 2016



Revenue and Consumption

- ❑ Water consumption continues to decline
 - Consumption down 17% from 2006 to 2016
- ❑ 2018 revenue projected to be \$104.3 million
- ❑ Recent history of rate increases
 - Conventional Rate Case - November 2014: 11.4%
 - Simplified Rate Case - September 2016: 3%
 - Simplified Rate Case - September 2017: 3%
- ❑ Water Works will be requesting authority for a Conventional Rate Case to be implemented in mid to late 2018

Water Works Capital

Program	2017 Adopted	2018 Proposed
Water Main Replacement	\$22,760,000	\$24,820,000
Linnwood Plant Building Improvements	\$750,000	\$275,000
Linnwood Plant Treatment Improvements	\$500,000	\$1,550,000
Howard Plant Building Improvements	\$150,000	\$375,000
Howard Plant Treatment Improvements	\$450,000	\$800,000
Pump Facilities Improvements	\$125,000	\$2,350,000
Storage Facilities Improvements	\$2,300,000	\$2,500,000
Meter Shop Repair	\$175,000	\$10,000
Capital Project Contingencies	\$2,000,000	\$100,000

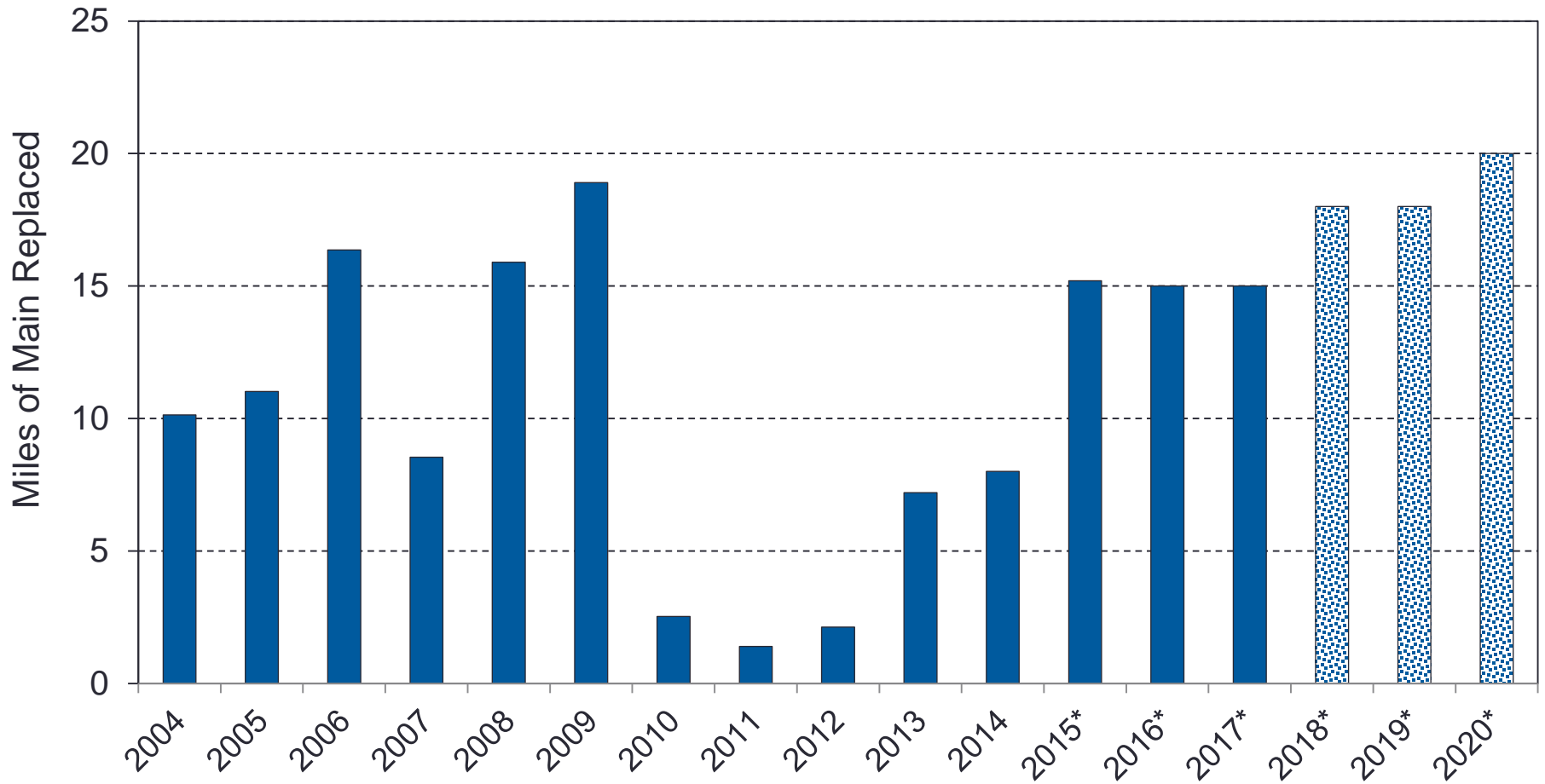
Key Capital Budget Changes and Highlights

- ❑ Water Main Replacement Program (\$24.8m)
 - Replace 18 miles in 2018; increased from 15 miles in 2017
- ❑ Linnwood/Howard Plant and Treatment Repairs (\$3m)
- ❑ North Point Tunnel inspection and repair (\$2.2m)
- ❑ Replacement of Linnwood Reservoir roof (\$2.5m)

Linnwood Water Treatment Plant



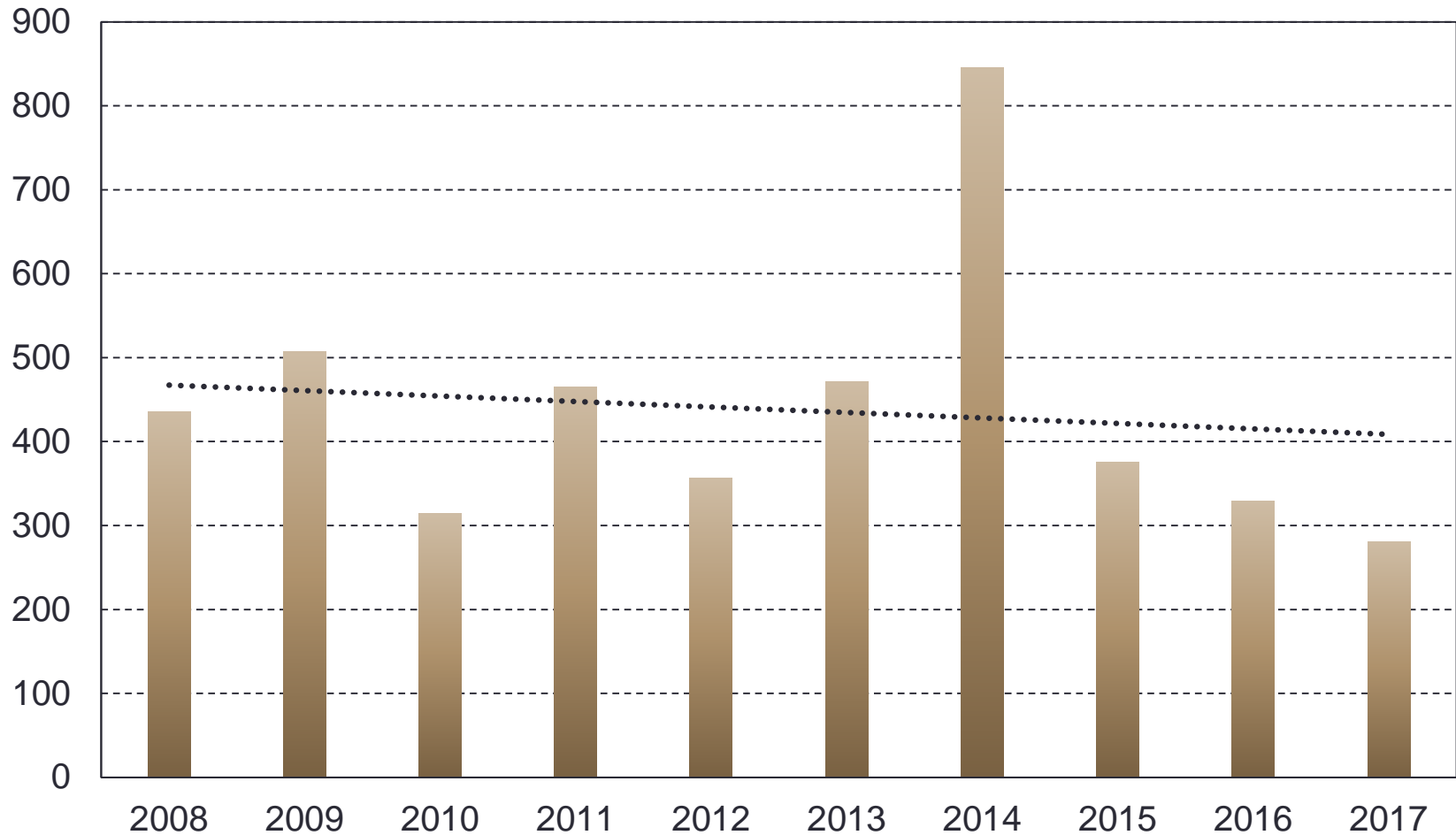
Water Mains Replaced

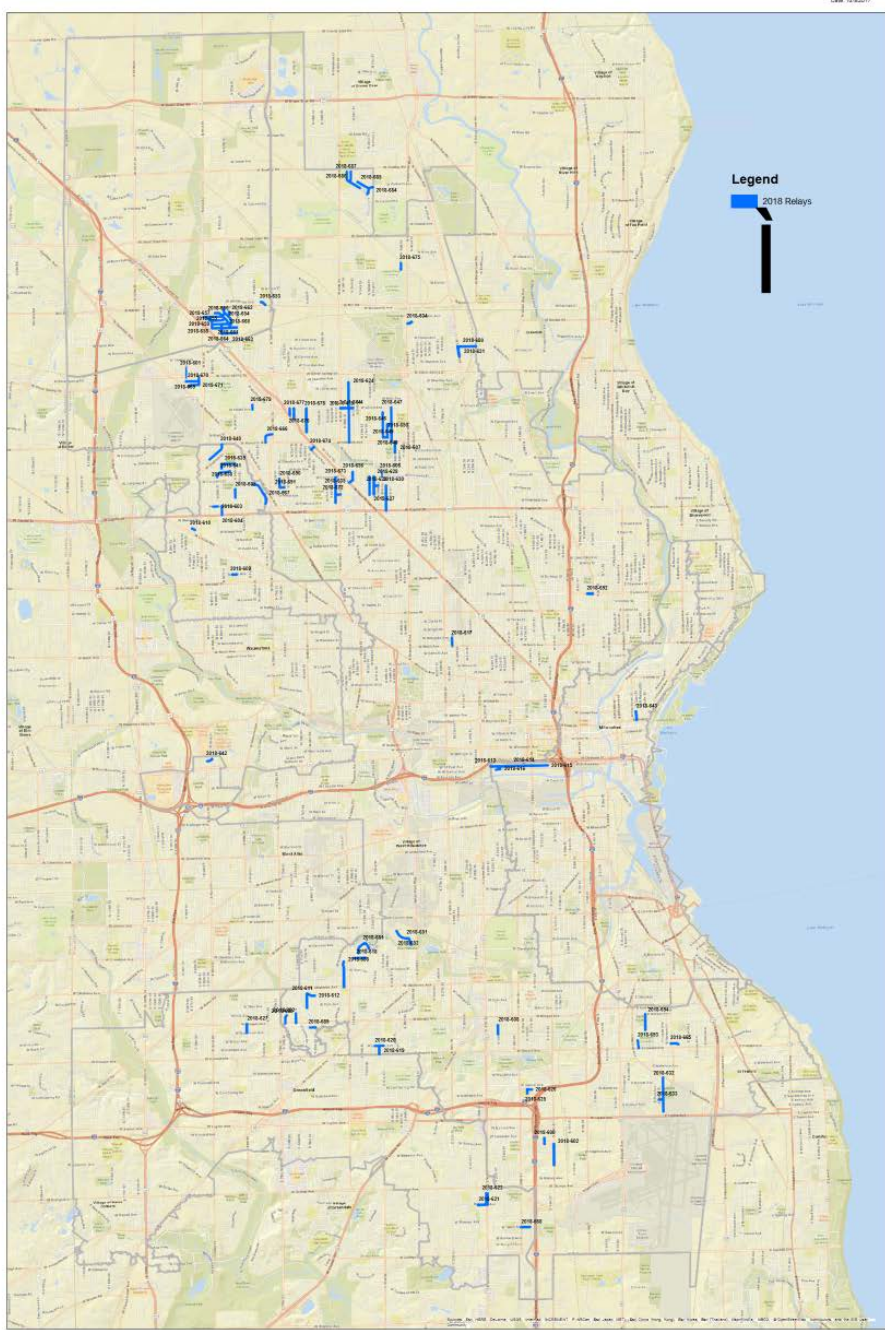
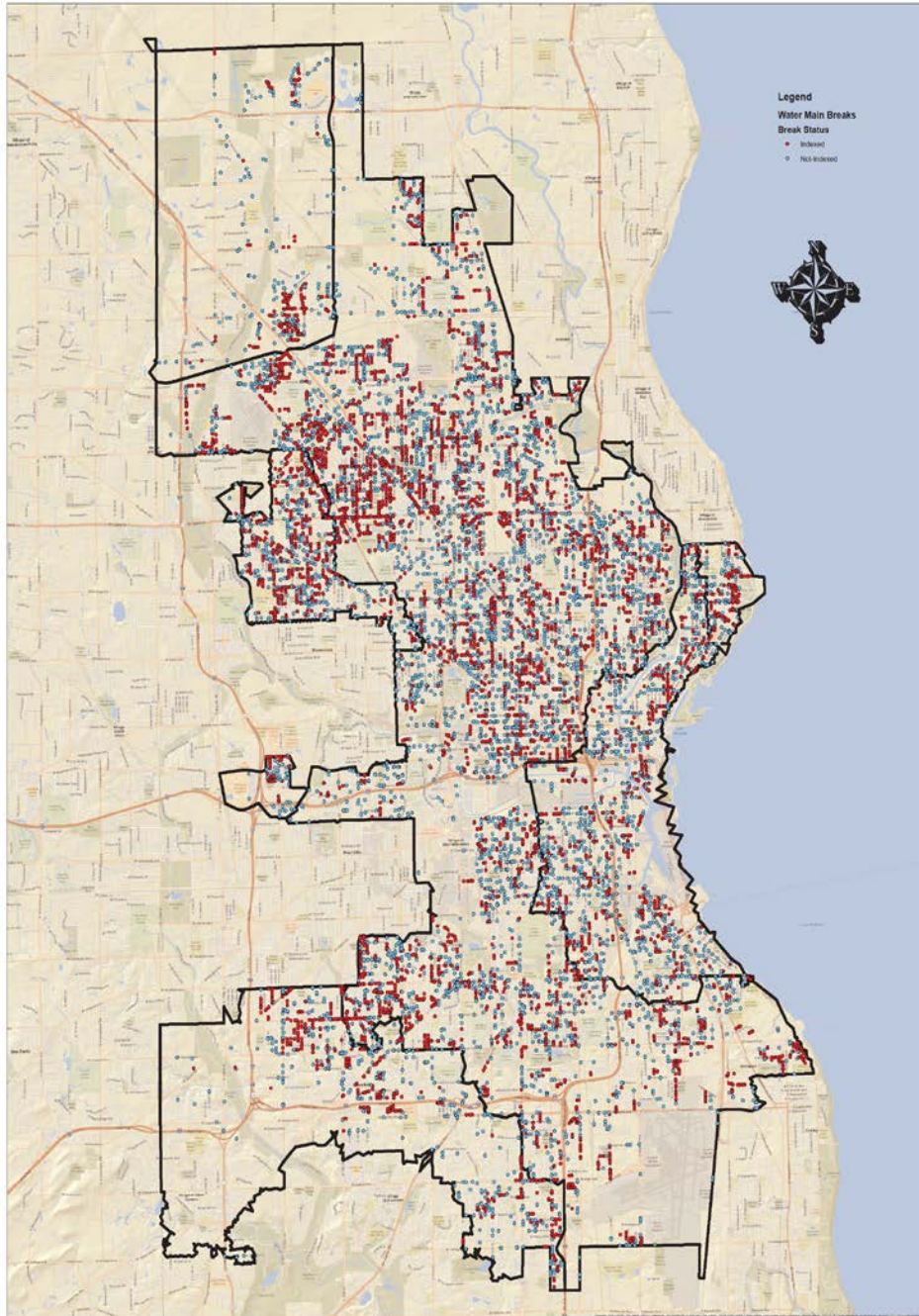


*Miles of main replacement mandated by WI Public Service Commission

Water Main Breaks

Through Sept. 30th of Each Year





Automatic Meter Reading Project



- ❑ 107,893 meters replaced
- ❑ 69% complete (48,107 to go....)
- ❑ \$3m in 2017 and 2018
- ❑ Evaluating whether to upgrade to latest technology

Lead Service Lines: The Numbers

- ❑ Number of Active Lead Services in System
 - 74,125 currently active and turned on
 - 3,460 currently active, but turned off at the curb stop
 - 46% of our 169,816 water services
 - 93% serve residential properties

- ❑ Plan to determine the material of the private side installed between 1952 and 1962 is underway.

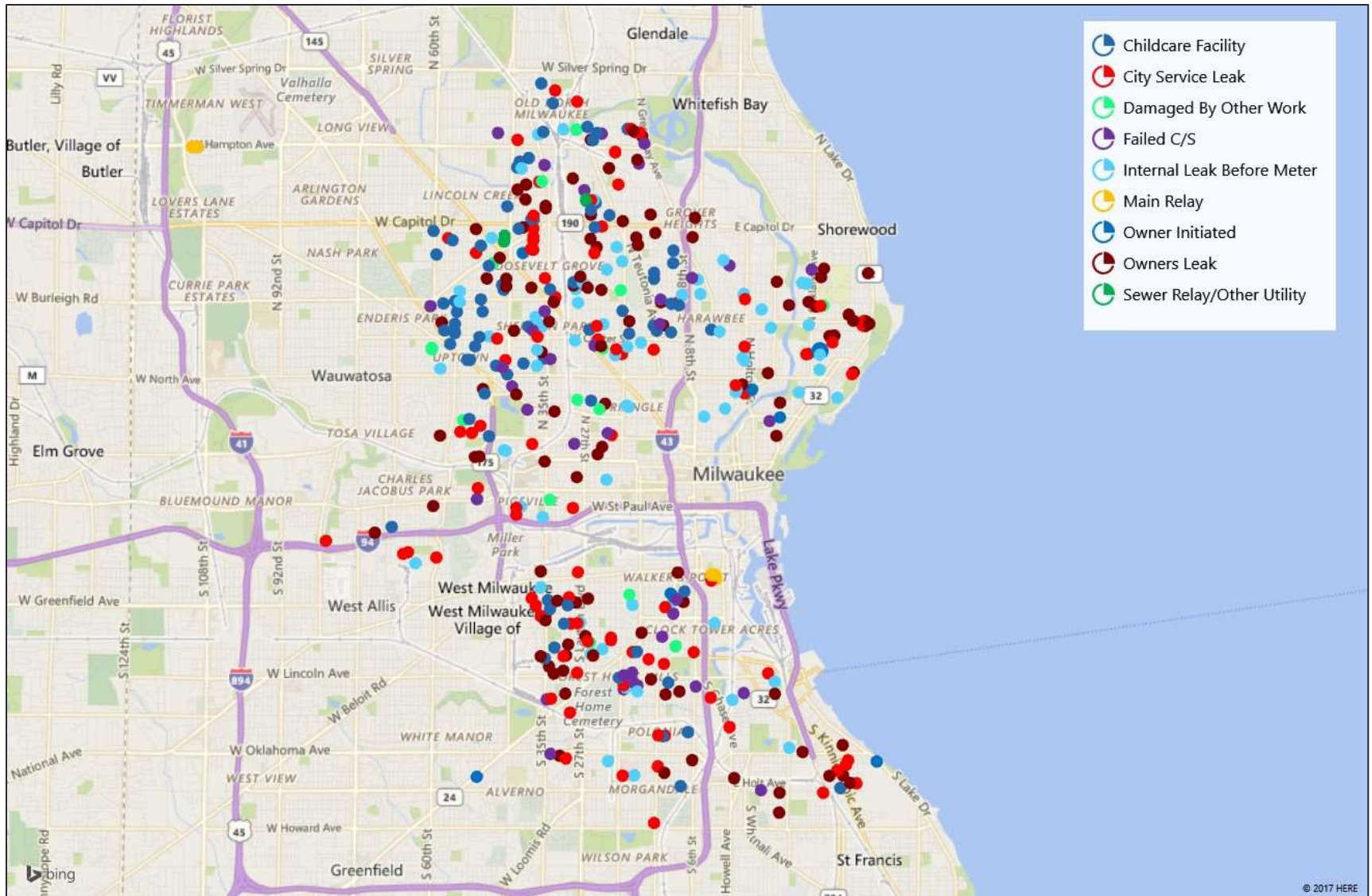
Lead Service Lines: 2017 Replacements YTD

- ❑ 437 LSL replacements completed
- ❑ 146 replacements pending
- ❑ 650 projected by the end of the year
- ❑ 4 crews working daily under two contractors
- ❑ More leaks than anticipated (450 vs. 300 in budget)
- ❑ Fewer child cares than anticipated (<200 vs. 300 in budget)
- ❑ Average cost per invoice to date is \$10,800.
 - Only 126 have been received so it will take more time to have accurate cost information.
- ❑ 800 planned for 2018; 1,000 planned for 2019

LSL Crews



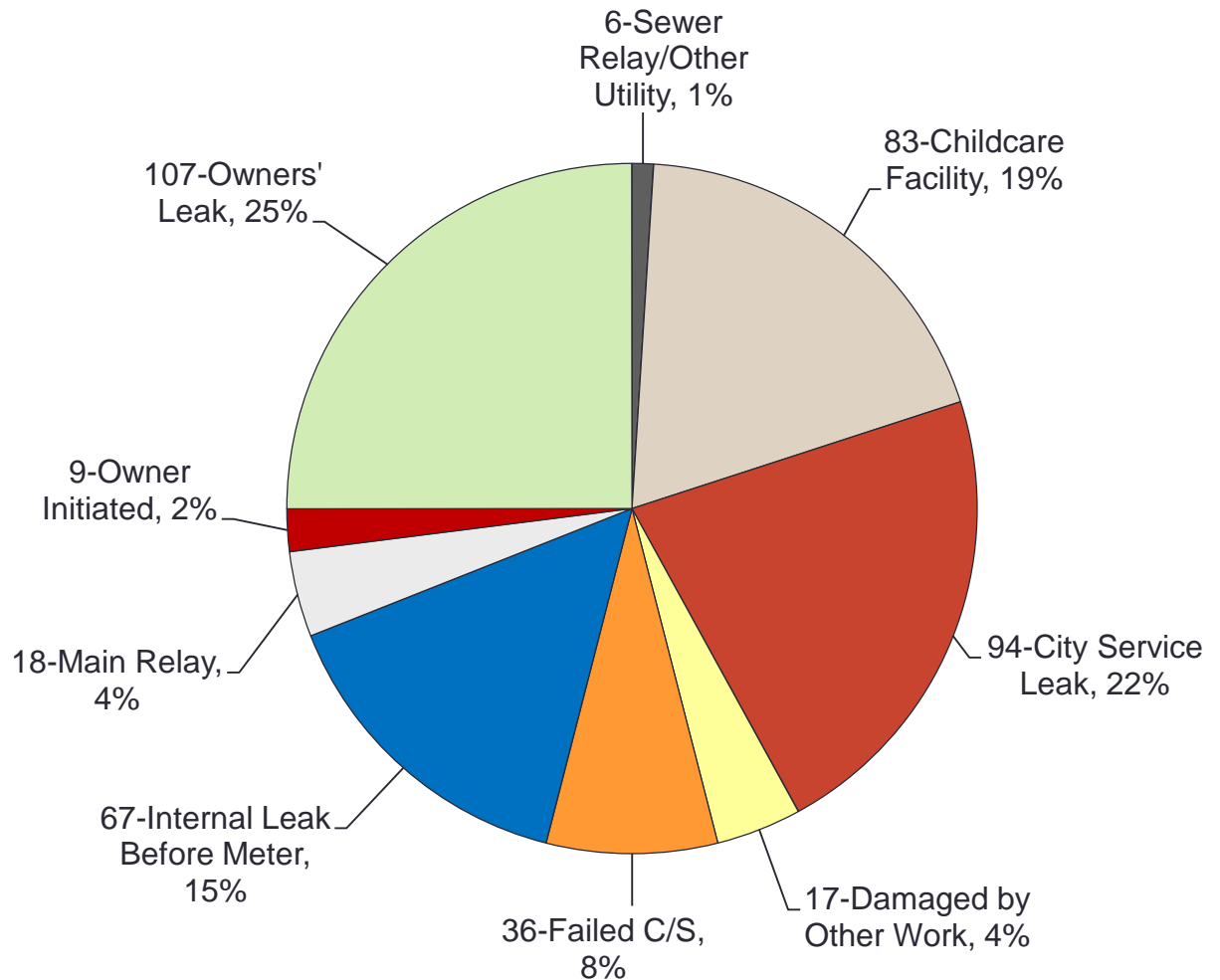
Lead Service Line Replacement



\$6.6 Million Investment in 2017

\$8.8 Million Planned for 2018

- ❑ Risk-Based
- ❑ Vulnerable Populations Prioritized
- ❑ Coordinated with Planned Investments



Approximate 2017-2019 Funding Plan 2,450 Replacements

- ❑ 650 in 2017...800 in 2018...1,000 in 2019
- ❑ \$13.2m projected cost of public side funded by MWW through water rate revenue
- ❑ \$13.2m projected cost of private side funded by:
 - \$1,600,000 of DNR/EPA funding for child cares
 - \$4,800,000 of DNR/EPA funding for other private property - **recently notified of \$2.8 million increase!**
 - \$3,300,000 in property owner contributions
 - \$1,400,000 in 2018 capital budget
 - \$2,100,000 in 2019 capital budget (or other sources*)

Note: Additional DNR/EPA funding may become available.

Goals Looking Forward

- ❑ Rightsizing our capacity with our consumption
 - Pumping/Capacity Study in 2018
 - Looking for new industrial or wholesale customers
- ❑ Ensuring our contracts are economically inclusive
 - Looking at de-bundling portions of contracts
 - More advanced advertising to prospective contractors
 - Maximizing opportunities for SBE/RPP participation
- ❑ Reducing non-revenue water
 - Data driven decision making about capital investments can reduce water leakage

Internal Workforce Planning

- ❑ Taking the first steps to plan for a stronger MWW workforce
- ❑ Using the Auxiliary Resource Program to add capacity in advance of adding permanent positions or in anticipation of a retirement
- ❑ Encouraging managers to use “social rewards” or “granting one simple thing” in lieu of monetary compensation for high performers
 - ie. Minor schedule shifts
- ❑ Reclassifying/reorganizing/cross-training where appropriate
- ❑ Retaining talent to work on a non-full time basis
 - Looking at job-sharing in areas where we anticipate retirements
 - Using retirees as temps in a bind or as trainers
- ❑ Replacing Office Assistant IV with HR Analyst to manage this project