

# Milwaukee Water Works

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**2019 Budget Overview**

**Finance & Personnel Committee**

**October 12, 2018**

# Performance Measures

| Measure   | 2017 Actual | 2018 Planned | 2019 Estimated |
|---|-------------|--------------|----------------|
| Rank of highest rate /Ccf of water among Class AB utilities in the 7-county metro area              | 23 of 27    | 23 of 27     | 20 of 27       |
| Rate of Return [PSC Annual Report]  | 4.61%       | 3.1%         | 5.1%           |
| Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act | 100%        | 100%         | 100%           |
| Main breaks   | 377         | 500          | 375            |

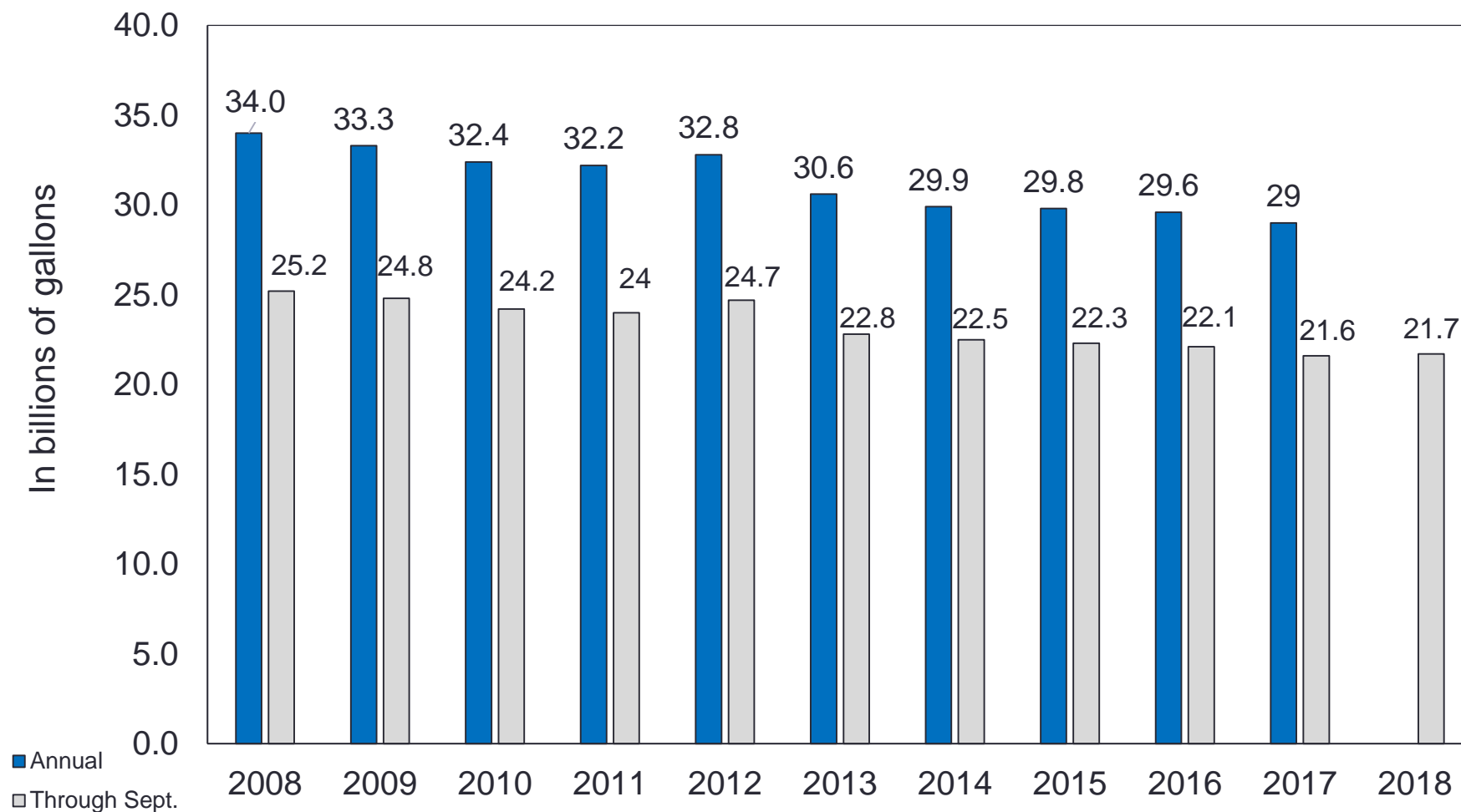
# Budget Summary

|                               | 2018<br>ADOPTED<br>BUDGET | 2019<br>PROPOSED<br>BUDGET | DIFFERENCE<br>(amount, %)    |
|-------------------------------|---------------------------|----------------------------|------------------------------|
| FTEs – O&M                    | 371.02                    | 396.37                     | <b>+25.35 (+6.8%)</b>        |
| FTEs - Other                  | 20.07                     | 20.05                      | <b>-0.02 (-0.1%)</b>         |
|                               |                           |                            |                              |
| <b>Salaries &amp; Wages</b>   | \$20,032,133              | \$21,440,740               | <b>+\$1,408,607 (+7.0%)</b>  |
| <b>Fringe Benefits</b>        | 10,411,877                | 13,147,482                 | <b>+2,735,605 (+26.3%)</b>   |
| <b>Operating Expenditures</b> | 55,707,000                | 56,092,700                 | <b>+385,000 (+0.7%)</b>      |
| <b>Equipment</b>              | 4,096,990                 | 4,373,300                  | <b>+276,310 (+6.7%)</b>      |
| <b>Special Funds</b>          | 11,031,000                | 9,101,000                  | <b>-\$1,930,000 (-17.5%)</b> |
| <b>TOTAL</b>                  | <b>\$101,279,000</b>      | <b>\$104,155,222</b>       | <b>+\$2,876,222 (+2.8%)</b>  |

# Key Operating Budget Changes and Highlights

- ❑ 15 new positions, \$1.1 million increase to Salary and Fringe Benefits for insourcing lead service line replacement
  - MWW crews to replace 325 utility side lead service lines in 2019
  - Lower cost, simplified billing and administration
- ❑ \$600,000 increase to PILOT payment
- ❑ \$12.4 million for Lead Service Line Replacement & related efforts
  - Replaces 1,000 lead service lines in 2019
  - \$3.1 million in City capital budget for LSL replacement subsidy
  - \$4.9 million of Water Works ratepayer funds for utility side LSL replacement
  - \$1 million for testing, outreach, filters/bottled water and construction management

# Water Sales 2008 through 2018



# Revenue and Consumption

- ❑ Long term trend- water consumption continues to decline
  - Down 15% from 2008 to 2017
  - Slight increase from 2017 to 2018 through September (+0.7%)
- ❑ 2019 revenue projected to be \$100.5 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 is requesting authority for a Conventional Rate Case to be implemented in mid to late 2019

# Water Works Capital

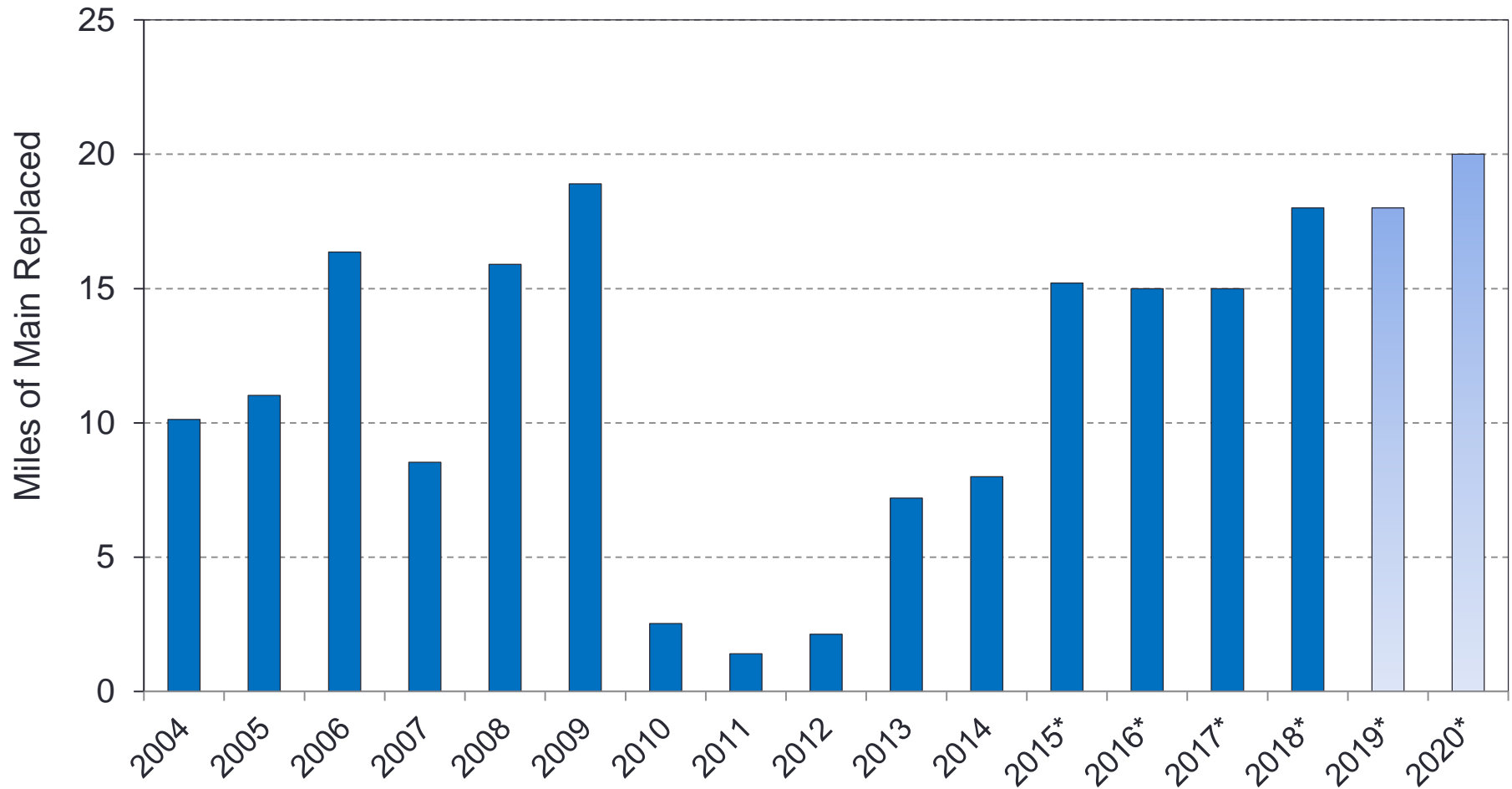
| Program                               | 2018<br>Adopted | 2019<br>Proposed |
|---------------------------------------|-----------------|------------------|
| Water Main Replacement                | \$24,820,000    | \$25,760,000     |
| Linnwood Plant Building Improvements  | \$275,000       | \$800,000        |
| Linnwood Plant Treatment Improvements | \$1,550,000     | \$1,350,000      |
| Howard Plant Building Improvements    | \$375,000       | \$350,000        |
| Howard Plant Treatment Improvements   | \$800,000       | \$700,000        |
| Pump Facilities Improvements          | \$2,350,000     | \$1,850,000      |
| Storage Facilities Improvements       | \$2,500,000     | \$50,000         |
| Meter Shop Repair                     | \$10,000        | \$425,000        |
| Capital Project Contingencies         | \$100,000       | \$100,000        |

# Key Capital Budget Changes and Highlights

- ❑ Water Main Replacement Program (\$25.8m)
  - Replaces 18 miles of main, 250 lead service lines
- ❑ Linnwood/Howard Plant and Treatment Repairs (\$3.2m)
- ❑ Pump decommissioning and replacement at Riverside (\$1.5m)



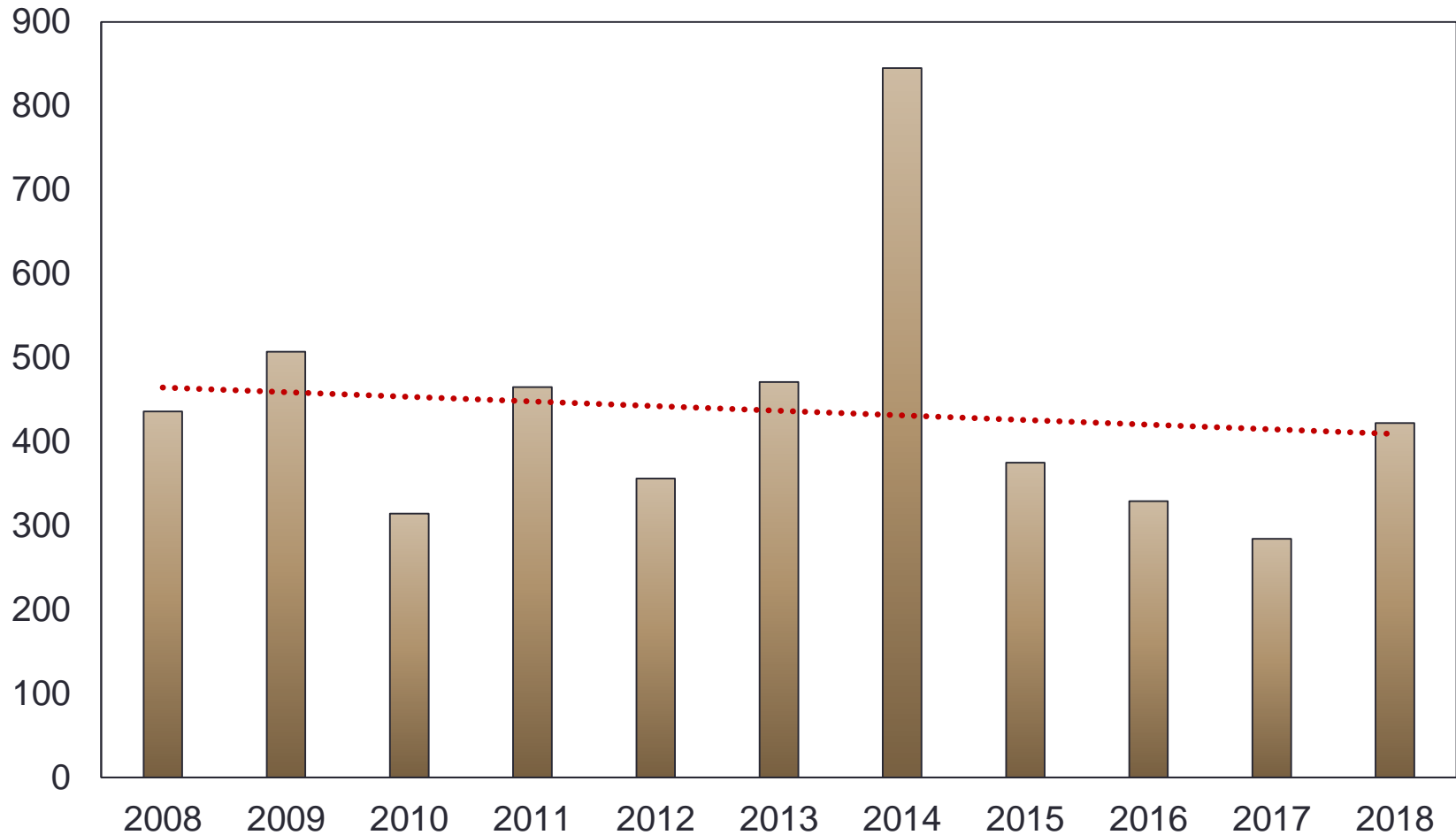
# Miles of Water Main Replaced



\*Miles of main replacement mandated by WI Public Service Commission

# Water Main Breaks

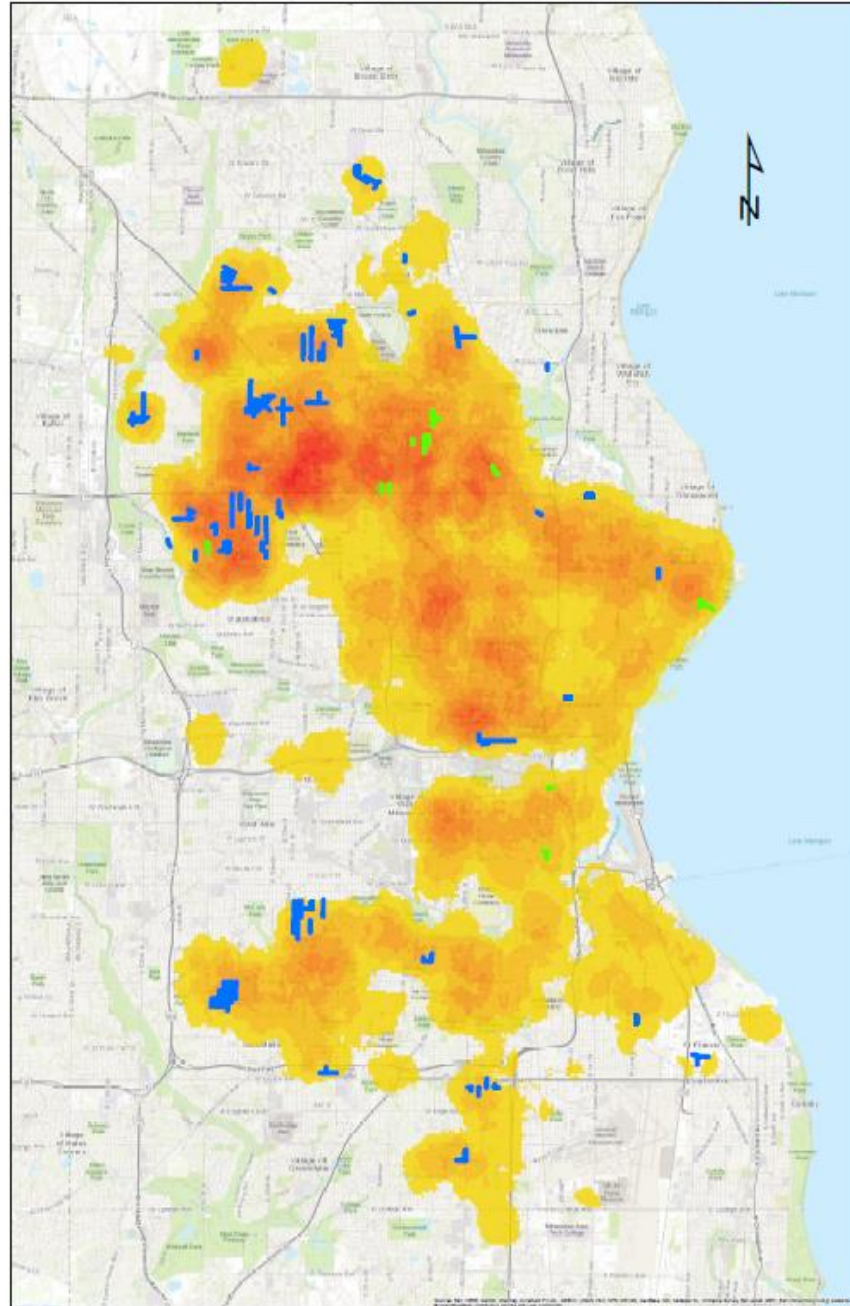
## Through Sept. 30<sup>th</sup> of Each Year



### DENSITY OF 20 YEARS OF MAIN BREAKS AND 2019 RELAYS

Legend  
No Lead Services  
Lead Services

Date: 10/22/2018



# Automatic Meter Reading Project



- ❑ 116,603 meters replaced
- ❑ 75% complete (39,397 to go....)
- ❑ ~\$3m annual expense
- ❑ Evaluating options for alternative technology moving forward



# 2019 Lead Service Line Replacement Project Type and Funding Sources

- ❑ 1,000 LSL replacements projected in 2019
  - 450 leaks
  - 250 with main replacement
  - 100 child care facilities
  - 200 owner initiated
  
- ❑ \$11.4 million for LSL replacement
  - \$4.9 million of MWW ratepayer funds for utility side work
  - \$4 million of funding for private side subsidy
    - \$3.1 million in City capital budget; \$900,000 of SDW from 2018
  - \$2.4 million of property owner contribution
    - \$1.3 million through Special Assessment financing

# A Taste of Big Projects Underway

- ❑ Water Equity Taskforce – Workforce Study
- ❑ Wholesale Water Sales
  - Working on route and pumping facility design for Waukesha
  - Waiting on Housing Plan from Franklin
- ❑ Asset Management
  - Laying the foundation for an asset management system so we can do full work order costing and make more data driven decisions about capital investments
- ❑ Reducing Non-Revenue water
  - Water audit underway – will prioritize investments that reduce water leakage
- ❑ New Lead Safe Milwaukee Partnership