

Milwaukee Water Works 2009 Proposed Budget
Research & Analysis – Legislative Reference Bureau

Executive Summary

1. The 2009 Proposed Budget for the Department of Public Works - Milwaukee Water Works ("Water Works") of \$71,008,475 is \$3,298,775 or 4.87% greater than the 2008 Adopted Budget (page 2).
2. The proposed 2009 Wages & Fringes budget of \$27,123,375 is up \$1,422,875 or 5.54% from 2008's Adopted Budget (page 2).
3. The proposed 2009 Operating Expenditures budget of \$36,692,000 is up \$1,770,500 or 5.07% from 2008's Adopted Budget (page 2).
4. The proposed 2009 Equipment Purchases budget of \$1,898,100 is up \$20,400 or 1.09% from 2008's Adopted Budget (page 2).
5. The proposed 2009 Special Funds budget of \$5,295,000 is up \$85,000 or 1.63% from 2008's Adopted Budget (page 2).
6. The proposed 2009 Capital Improvements budget of \$27,096,000 is down \$9,673,000 or 26.31% from 2008's Adopted Budget (page 2).
7. The proposed 2009 Revenue budget of \$68,212,700 is down \$1,612,597 or 2.31% from 2008's Adopted Budget (page 2 and page 9).
8. Authorized positions for 2009 are 348, up 2 positions from 2008 (page 2).
9. Water Works is initiating an Industry Internship Program as part of the City's efforts to establish Milwaukee as a center of the Fresh Water Industry (page 5)
10. Significant market price increases for chemicals are pushing up Other Operating Supplies (page 8).
11. The proposed 2009 Information Technology Services budget includes \$522,000 to upgrade and maintain Water Works' software system (page 8).
12. A Request for Proposals has been issued to determine the economic value to communities that purchase water from Water Works (page 10).
13. Water Works has not set a date to seek any rate increase from the Public Service Commission at this time (page 11).
14. Water Works appears to have additional borrowing capacity if needed (pages 11-12).
15. Water Works proposed 2009 Capital Improvements budget, though down from 2008's Adopted Budget, continues to invest rigorously in improvements to its ability to deliver safe drinking water to its customers (pages 12-13).

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 2 of 14

Overview

Water Works Budget & Authorized Positions			
	07 Actual	08 Adopted	09 Proposed
Wage & Fringes	\$24,337,411	\$25,700,500	\$27,123,375
<i>year to year change</i>		5.60%	5.54%
Operating Expenditures	32,239,094	34,921,500	36,692,000
<i>year to year change</i>		8.32%	5.07%
Equipment Purchases	1,322,055	1,877,700	1,898,100
<i>year to year change</i>		42.03%	1.09%
Special Funds	5,756,703	5,210,000	5,295,000
<i>year to year change</i>		-9.50%	1.63%
Total	\$63,655,263	\$67,709,700	\$71,008,475
<i>year to year change</i>		6.37%	4.87%
Capital Improvements	\$15,485,215	\$36,769,000	\$27,096,000
<i>year to year change</i>		137.45%	-26.31%
Revenue	\$67,670,886	\$69,825,297	\$68,212,700
<i>year to year change</i>		3.18%	-2.31%
Authorized Positions	346	346	348

The City of Milwaukee Department of Public Works- Water Works (“Water Works”) is the drinking water utility owned by the City of Milwaukee and regulated by the Public Service Commission of Wisconsin (“PSC”), the U.S. Environmental Protection Agency and the Wisconsin Department of Natural Resources. During 2007, the Water Works sold 35.05 billion gallons of water pumped through 9 to 12-foot diameter intakes from Lake Michigan and treated in its 2 treatment plants. The utility serves an estimated population of 859,000 and had 143,641 residential metered accounts and 16,983 commercial/industrial accounts at year-end 2007. The water was distributed through a 1,966-mile network of mains ranging from 2 inches to 5 feet in diameter.

The combined water treating capacity from its 2 treatment plants is 380 millions gallons of water per day or 138.70 billion gallons a year. The 35.05 billion gallons sold in 2007 is roughly 25% of total capacity.

Water Works sold 7.83 billion gallons of water for resale in 2007 to 10 neighboring communities. The Water Works’ customers outside the City of Milwaukee are classified as either wholesale or retail customers. The following are wholesale customers who act as

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 3 of 14

their own water utilities, billing customers and maintaining the distribution systems in the communities they serve:

- | | |
|-----------------------------|---------------------------------|
| 1. Brown Deer | 6. New Berlin |
| 2. Butler | 7. Shorewood |
| 3. Greendale | 8. Wauwatosa |
| 4. Menomonee Falls | 9. We Energies Water Services * |
| 5. Milwaukee County Grounds | 10. West Allis |

* serving Mequon and Thiensville

Water Works serves as the water utility for the following 4 neighboring communities, billing customers and maintaining the distribution system:

1. Greenfield
2. Hales Corners
3. St. Francis
4. A portion of Franklin

The Village of West Milwaukee receives billing services from the Water Works but maintains its own distribution system.

Water rates, the price of water sold by Water Works is set by the PSC as described below in the Public Service Commission section of this report.

Water Works operates through 6 sections; Business, Engineering, North Water Treatment, South Water Treatment, Water Quality and Distribution,

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 4 of 14

Personnel

Wages & Fringe Benefits

Water Works – Personnel			
	'07 Actual	'08 Adopted	'09 Proposed
Wage & Fringes *	\$24,337,411	\$25,700,500	\$27,123,375
<i>year to year change</i>		5.60%	5.54%
Overtime (includes fringes)	2,429,146	2,520,816	2,724,352
<i>year to year change</i>		3.77%	8.07%
Authorized Positions	346	346	348
FTE's - O&M	362.66	343.83	345.83
* including overtime			

Wages and Fringe Benefits proposed for 2009 of \$27,123,375 are up \$1,422,875 or 5.54% from 2008's Adopted Budget of \$25,700,500. An additional 2 positions are authorized for 2009, 2 Laborers at the Linnwood Water Treatment Plant.

A Business Operations Manger position (Salary Grade 008 - \$57,028 to \$79,836) has been eliminated in the proposed 2009 budget and a Customer Service Supervisor (Salary Grade 006 - \$50,206 to \$70,295) added.

Overtime, including fringe benefits, is proposed for 2009 at \$2,724,352 (10.04% of wages & fringes) is up \$203,536 or 8.07% from 2008's Adopted Budget of \$2,520,816. Overtime is up in part in an effort to be consistent with 2007 actual expenditures and in part to reflect increases in underlying regular pay rates.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 5 of 14

Vacancies as of September, 2008, are as follows:

Water Works Vacancies - September, 2008					
Position Title	Num	Pay Range		Reason	Date *
Water Quality Analyst	1	53,519	to 74,922	Promotion	09/19/07
Network Coord. Sr	1	57,028	to 79,836	New Position	01/01/08
Meter Reader Sup	1	47,109	to 65,957	Retirement	01/31/08
Machinist I	1	44,442	to 50,986	Retirement	02/21/08
Machine Repairperson	2	43,735	to 53,034	Retirement	03/12/08
Wtr Lab Technician	1	33,316	to 38,474	Resignation	Hold
Wtr Distr Laborer	2	34,466	to 37,956	Retirement	NA
Wtr Distr Laborer	2	34,466	to 37,956	Promotion	NA
Wtr Info Sys & Secur Mgr	1	53,519	to 74,922	Resignation	Hold
Wtr Distr Operations Mgr	1	64,805	to 90,728	Promotion	05/15/08
Wtr Meter Technician I	1	36,044	to 39,826	Promotion	06/05/08
Electrical Mechanic	1	57,242	to 57,242	Resignation	07/23/08
Treatment Plant Opr	2	38,323	to 42,796	Promotion	07/23/08
Office Assistant III	1	31,905	to 35,296	Promotion	07/23/08
Network Coord Assoc	1	44,194	to 61,871	Promotion	09/11/08
Hydrant Service Wrkr	1	34,466	to 37,956	Retirement	09/11/08
Hydrant Service Wrkr	1	34,466	to 37,956	Re-title	Hold
Wtr Distr Field Sup	1	47,109	to 65,957	Retirement	Hold
Account III	1	50,206	to 70,295	Retirement	09/11/08
Total	23				

* Date Finance & Personnel Committee authorized filling the position

Industry Internship Program

\$100,000 is allocated in Water Works' 2009 Proposed Budget for an Industry Internship Program for undergraduate and graduate college students. The program is in the early stages of developed but is envisioned as a partnership among government, academia and the private sector designed to give future water professionals valuable, hands-on experience in the 3 major sectors of the water industry. Early indications are the City's investment in the program might be leveraged as much as 10 to 1 as foundations, academia and private industry invest \$1,000,000 in an effort to distinguish Milwaukee as the hub of the fresh water industry.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 6 of 14

Operating Expenditures

Water Works - Operating Expenditures Breakdown					
	'07 Actual	'08 Adopted	'09 Proposed	'08-'09 Change	
Operating Expenditures					
General Office Expense	\$ 515,426	\$ 620,000	\$ 626,000	\$ 6,000	0.97%
Tools & Machinery Parts	791,046	282,500	708,300	425,800	150.73%
Construction Supplies	1,462,661	2,205,000	1,933,700	(271,300)	-12.30%
Energy	5,625,348	6,545,000	6,221,000	(324,000)	-4.95%
Other Operating Supplies	1,949,917	2,536,500	3,260,000	723,500	28.52%
Facility Rental	1,455,930	1,584,000	1,589,000	5,000	0.32%
Vehicle Rental	9,749	21,000	21,000	No Change	N/A
Non-Vehicle Rental	35,137	37,500	39,000	1,500	4.00%
Professional Services	3,994,831	4,033,000	4,240,000	207,000	5.13%
Information Tech Services	885,240	1,195,000	1,717,000	522,000	43.68%
Property Services	10,647,288	10,227,000	10,683,000	456,000	4.46%
Infrastructure Services	3,387,089	4,020,000	4,076,000	56,000	1.39%
Vehicle Repair Services	774,638	795,000	779,000	(16,000)	-2.01%
Other Operating Services	704,794	820,000	799,000	(21,000)	-2.56%
TI Operating Expenditures	\$32,239,094	\$34,921,500	\$36,692,000	\$1,770,500	5.07%

Water Works' total 2009 proposed Operating Expenditures budget of \$36,692,000 is up \$1,770,500 or 5.07% over the \$34,921,500 2008 Adopted Budget. The 2009 Proposed Budget increase is the result of increases and decreases in all categories of operating expenses and cannot be attributed to any one or two line-item changes, but a few line items are noteworthy.

Tools & Machinery Parts:

The proposed 2009 budget of \$708,300 is up \$425,800 or 150.73% from the 2008 Adopted Budget. This is a re-allocation of the costs of purchasing electronic radio transmission devices ("ERT's") from Construction Supplies back to Tools & Machinery Parts. In 2007, over \$500,000 in ERT purchases was booked as Tools & Machinery Parts expenditures, but in the 2008 Adopted Budget, ERT purchases were budgeted as a Construction Supplies expense. The proposed 2009 budget restores ERT purchase to the Tools & Machinery line item. If the 2009 Proposed Budget line item for Tools & Machinery Parts is re-stated to exclude the \$405,000 budgeted for ERT purchases then the increase is only \$20,800 or 7.36%.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 7 of 14

Construction Supplies: The proposed 2009 budget of \$1,933,700 is down \$271,300 or 12.30% from the 2008 Adopted Budget. This is the corresponding line item to the re-allocation of purchases of electronic radio transmission devices (“ERT’s”) referenced in the preceding paragraph. ERT purchases were incorrectly included in the Construction Supplies line item for the 2008 Adopted Budget and such purchases have been restored to the Tools & Machinery Parts budget line item for the 2009 Proposed Budget. If the 2008 Adopted Budget line item is restated to exclude the \$405,000 budgeted for ERT purchases then the proposed 2009 Construction Supplies line item is up \$133,700 or 7.42%.

Within the proposed 2009 budget for Construction Supplies, \$1,600,000 is budgeted 2 operating sections, which is up \$275,000 or 20.75% above \$1,325,000 in the 2008’s Adopted Budget. \$75,000 is for the Howard Treatment Plant to bring this item into line with actual 2007 costs and \$200,000 is for the Distribution section to meet increased market prices for metals used in pipes, valves, clamps, etc.

Energy: The proposed 2009 budget for Energy, which in 2008’s Adopted Budget made up 18.74% of Operating Expenditures (second only to Property Services at 29.29%), is \$6,221,000 or down \$324,000 (4.95%) from the 2008 Adopted Budget. This decrease is due in small part to energy savings efforts like lighting improvements and window replacements, but in large part due to We Energies’ failure to get approval for proposed rate increases.

Other Operating Supplies: The proposed 2009 budget of \$3,260,000 is a \$723,500 or 28.52% increase over 2008’s Adopted Budget of \$2,536,500. The 2 Treatment Plants are up \$700,000 or one-third from their combined \$2,100,000 2008 Adopted Budget and the other Water Works operating sections increase \$23,500 or 5.38% over their combined \$436,500 2008 level.

The 2008 Adopted Budget for Other Operating Supplies included \$56,000 for plumbing services to Water Works’ Meter Shop. Such Meter Shop plumbing services have been re-allocated to Infrastructure Services in the proposed 2009 budget. If this \$56,000 had been part of Other Operating Supplies in 2009, the increase for operating sections other than the Treatment Plants would have been \$79,500 or 17.52% over their combined \$436,500 2008 Adopted Budget level.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 8 of 14

The large increase at the 2 Treatment Plants is the result of significant increases in the cost of chemicals used in water treatment. Cost increases range from 10% to 228%. Approximately 90% of this line item is budgeted for chemicals. Water Works uses large amounts of aluminum sulfate (alum), sodium hypochlorite and liquid oxygen, and lesser amounts of fluoride, phosphoric acid, ammonia and polymer. The price of alum has more than doubled.

Professional Services: The proposed 2009 budget of \$4,420,000 is \$207,000 or 5.13% increase over 2008's Adopted Budget of \$4,033,000. This increase is the result of 3 factors. The Business section's 2009 Proposed Budget was reduced by \$155,000 and the Distribution section was increased \$300,000 for operations at the Tower facility and to be consistent with actual 2007 expenditures. Water Quality is up \$62,000 because the contract for laboratory analytical services will be re-bid this year and Water Works anticipates an increase.

Information Technology Services: The proposed 2009 budget of \$1,717,000 is a \$522,000 or 43.68% increase over 2008's Adopted Budget of \$1,195,000. This increase results from an additional \$400,000 to continue the upgrade phase-in for enQuesta, Water Works' customer information and billing module, and \$120,000 for services contracts for the complete upgraded Business section software package including enQuesta, Itron meter reading system and the Artis-Customer Service Telephone System. These software systems are critical to Water Works' efficient operation.

Infrastructure Services: The proposed 2009 budget of \$4,076,000 is a \$56,000 or 1.39% increase over 2008's Adopted Budget of \$4,020,000 due to a re-allocation of plumbing services for the Meter Shop which in prior years was part of the Other Operating Supplies line item.

Equipment Purchases

Equipment purchases proposed for 2009, both replacement and new, are virtually flat compared to 2008's Adopted Budget, increasing \$20,400 or 1.09% from \$1,877,700 in 2008 to \$1,898,100 in 2009. Purchases include roughly \$37,500 to replace automated lab analysis equipment which is far beyond its useful life in the Water Quality section.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 9 of 14

Special Funds

Special Funds proposed for 2009 includes \$100,000 for the new Industry Internship Program. Disregarding this \$100,000, the Special Funds proposed 2009 budget is virtually flat compared to the 2008 Adopted Budget, decreasing \$15,000 or 0.30% from \$5,210,000 in 2008 to \$5,195,000 (\$5,295,000 less \$00,000) in 2009.

PILOT – Payment in Lieu of Taxes

Water Works pays the City a Payment in Lieu of Taxes (“PILOT”), which is in lieu of property taxes. Historic PILOT payments and projected 2008 and 2009 are as follows:

Water Works - PILOT (Payment in Lieu of Taxes Payments)				
2005	2006	2007	2008 (est.)	2009 (est.)
\$7,667,741	\$7,460,814	\$7,766,749	\$8,029,000	\$8,018,000

Revenues

Although water revenues were up in 2008 apparently due to the cumulative affect of water rate increases in September, 2006, and June, 2007, the trend-line for water sales has been a slow, steady decline for many years as Milwaukee’s population declines, households conserve water use and high volume industrial water users leave Milwaukee or curtail operations. Water Works projects 2008 revenues will be up 3.18% and 2009 revenues to be down 2.31% from 2008.

Despite the downward trend of water sales, Water Works continues to internally fund operations and most capital improvements, and appears to have unused borrowing capacity based on debt coverage ratios (see the *Long-term Debt* section in this report).

The following revenue breakdown comes from the 2009 Proposed Budget “green sheets”:

Water Works Revenues (from Budget Green Sheets)			
	Actual '07	Projected '08	Projected '09
Total Operating Revenues	\$67,670,886	\$69,825,297	\$68,212,700
<i>year to year change</i>		3.18%	-2.31%

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 10 of 14

New Berlin Inter-government Agreement

An inter-government agreement between Milwaukee and the City of New Berlin was signed by the Mayor on August 6, 2008, after passage by the Common Council. The agreement calls for a \$1,500,000 payment to the City by New Berlin in conjunction with Water Works expansion to serve the middle one-third of New Berlin. This is not a fee for the purchase of water and not subject to the authority of the Public Service Commission.

Common Council File #080459 signed by the Mayor August 8, 2008 directed the Department of Administration to issue a Request for Proposals (“RFP”) and award a contract to develop a methodology for evaluating the economic impact water purchased from Milwaukee will have on communities buying water from Water Works in the future. In addition, the resolution set aside \$50,000 from Water Works’ 2009 budget to enter into a contract with the winning proposer. The methodology will provide a means of determining the economic value to communities entering into water service contracts with Water Works in the future, including the value of potential residential, commercial, manufacturing and population growth in the community served.

This RFP has been issued with a deadline of November 7, 2008.

Public Service Commission

The Public Service Commission (“PSC”) sets the rates for water sold by Water Works. The PSC sets these water rates by determining what it costs Water Works to provide water services and then allowing the utility to earn a rate of return on its assets. The PSC’s rate of return benchmark is 6.50% for municipal water utilities. Water rates authorized by the PSC include fees for fire protection, general service charges and charges for volume of water consumed.

Water Works policy is to charge wholesale customers for all or part (depending to the degree Water Works benefits) of the costs of any extension of mains or infrastructure needed to serve them. Such charges do not come under PSC authority. It has never been necessary to extend mains or infrastructure to serve wholesale customers, but Water Works may need to do so for New Berlin depending on water usage patterns in the new service area.

Water Works may petition the PSC for 2 types of rate increases; a Simplified Rate Case (“SRC”) for changes in cost of living as determined by the PSC which is somewhat easier to apply for, and a Full Rate Increase for which Water Works must submit a lengthy and complex application for a specifically requested rate of return and be audited and studied by the PSC. Full Rate Increases can be sought at the 1-year anniversary of the last Full

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 11 of 14

Rate Increase, while SRC increases can be sought at any time, but only 5 SRC increases can be obtained before the PSC must audit operations before granting a new rate increase.

Water Works was granted a 3.40% SRC rate increase effective September, 2006 and a 6.00% average Full Rate Increase effective June, 2007. Permission to apply for either rate increase must be through Common Council resolution.

Water Works has not set a date for any rate increase, but recognizes advisability of either a SRC or a Full Rate Increase in 2009.

Rate of Return

Rates of return determined by the PSC for Water Works have declined steadily over recent years as indicated by the following chart:

Water Works – PSC Rates of Return				
2003	2004	2005	2006	2007
4.95%	4.71%	3.63%	2.44%	1.97%

These rates of return will likely continue to decline and Water Works projects its PSC rates of return will be 1.80% and 0.88% for 2008 and 2009 respectively.

Long-term Debt

As of year-end 2007, Water Works had the following long-term debt:

Water Works Long-term Debt Structure			
	Original	Year-end '06	Year-end '07
General Obligation Bonds *	\$57,019,019	\$23,257,062	\$19,894,813
Revenue Bonds *	17,559,378	12,074,978	11,206,602
Total	\$74,578,397	\$35,332,040	\$31,101,415

* totals exclude Unamortized Premiums & Deferred Amount of Re-fundings

Although Water Works is authorized for issuance of \$12,500,000 in bonds to fund Backup Power projects, no bonds have been issued through September, 2008. Water Works expects to issue these bonds sometime during the 1st quarter of 2009 as planning and final costs projections are completed.

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 12 of 14

General Obligation Bonds are secured by the full faith and unlimited taxing power of the City of Milwaukee. The bonds will be retired by revenues from water services, or failing that, City tax levies. Water Works' General Obligation Bonds are at various interest rates ranging from between 4.25% to 5.83% and most will be retired by 2017.

Revenue Bonds are secured solely by water services revenues. Water Works' Revenue Bonds are issued through the State of Wisconsin Safe Drinking Water Loan Program and are at 2.64% interest. This bond issue is scheduled for retirement in 2018 with substantial (\$7,037,000) principal and interest payments due from 2013 to 2018.

Water Works' Revenue Bonds are subject to a covenant that requires the utility to maintain a debt coverage ratio of 1.10. The debt coverage ratio is defined by gross revenues, less operating expenses including PILOT, divided by debt service. Water Works' debt coverage ratio for its revenue bonds in 2007 was 15.91 and 16.83 in 2006, roughly 15 times greater than the stipulated ratio.

The debt coverage ratio for Water Works' General Obligation Bonds was 4.17 in 2007 and the combined ratio for these bond plus the utility's Revenue Bonds was 3.31.

Based on 2007 operating income (as defined by the debt coverage ratio), Water Works could borrow an additional \$15,750,000 at 5.50% for 5 years and still maintain a 2.00 debt coverage ratio.

Capital Improvements \$27,096,000

Milwaukee Water Works - Capital Improvements Budget Comparison			
	07 Actual	08 Budgeted	09 Proposed
Water Main Improvements	\$12,094,051	\$16,260,000	\$16,780,000
Improvements to Facilities			
Linnwood ("North") Treatment Plant	1,307,635	4,465,000	1,300,000
Howard ("South") Treatment Plant	293,598	618,000	950,000
Pump Facilities	174,204	955,000	3,440,000
Storage Facilities	1,604,589	145,000	3,826,000
Meter Repair Shop	11,138	0	300,000
Backup Power Generation	0	12,500,000	500,000
Contingencies	0	1,826,000	0
Total Improvements Budget	\$15,485,215	\$36,769,000	\$27,096,000

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 13 of 14

Water Main Improvements: These capital improvements include \$16,480,000 (\$16,380,000 non-assessable and \$100,000 assessable) to replace deteriorating and sub-standard water main sections which have histories of failure or mains which are no longer appropriate for safe drinking water distribution. This is ongoing upkeep to maintain Water Works' infrastructure. Also included is \$300,000 to install new water mains in new developments to Water Works' service area.

Improvements to Facilities \$10,316,000

Milwaukee Water Works - 2009 Capital Improvements to Facilities			
		'09 Proposed	'09 Proposed
Linnwood Treatment Plant			
Security upgrade: gate/guard	\$	50,000	
Engineer's office space		200,000	
Motor control centers		250,000	
Wash water line		500,000	
Valves for ozone bypass		100,000	
Chemical feed upgrade		200,000	
Linnwood Plant Total		1,300,000	
Howard Treatment Plant			
Admin bldg HVAC and roof		350,000	
Security		100,000	
Chemical feed upgrade		500,000	
Howard Plant Total		950,000	
Pump Facilities			
Florist Station			
Substation, switchgear		2,000,000	
Pump upgrades		540,000	
Howard			
Substation, switchgear		300,000	
			Total All Improvements
			\$10,316,000
Pump Facilities (continued)			
Lincoln			
Substation refurbishment			50,000
Grange			
Pump upgrades			300,000
Various			
Energy efficiency			150,000
Security upgrades			100,000
Pump Facilities Total			3,440,000
Storage Facilities			
Roof construction			2,000,000
Paint tank			1,826,000
Meter Repair Shop			
Repair/replace windows			300,000
Backup Power Generation			
Florist			500,000

Milwaukee Water Works 2009 Proposed Budget

Research & Analysis – Legislative Reference Bureau

Page 14 of 14

Backup Power

Water Works uses electric pumps to pump water to its customers and any power interruption at We Energies will disrupt water distribution in Milwaukee. The 2008 Adopted Budget authorized the issuance of \$12,500,000 in bonds to fund Backup Power projects which will provide water pumping power in the event of a power outage. As of September, 2008, no bonds have been issued and Water Works has let a single \$1,500,000 engineering contract, funded through internal operations, for initial work on the project. No date has been set to begin work.

Contingencies

The proposed 2009 budget for Capital Improvements includes no funding for Contingencies. Water Works expects the 4-year life of capital authority will apply to the Contingencies included in the 2008 Adopted Budget. This capital improvement authority will be used to stabilize the Meter Shop building and refurbish the covers for the Menomonee Tanks, if these projects can be suitably cost-projected, or it could also be used for unforeseen projects as the need arises.

Prepared by: Aaron Cadle 286-8666
Legislative Fiscal Analyst – Lead
Legislative Reference Bureau
October 13, 2008