

2019



Legislative Reference Bureau

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WATER WORKS

Milwaukee
Water Works

Safe, Abundant Drinking Water.

2019 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst
Budget Hearing: 10:30 am on Friday, October 12, 2018
Last Updated: October 10, 2018

Version 1.0



\$104,155,222

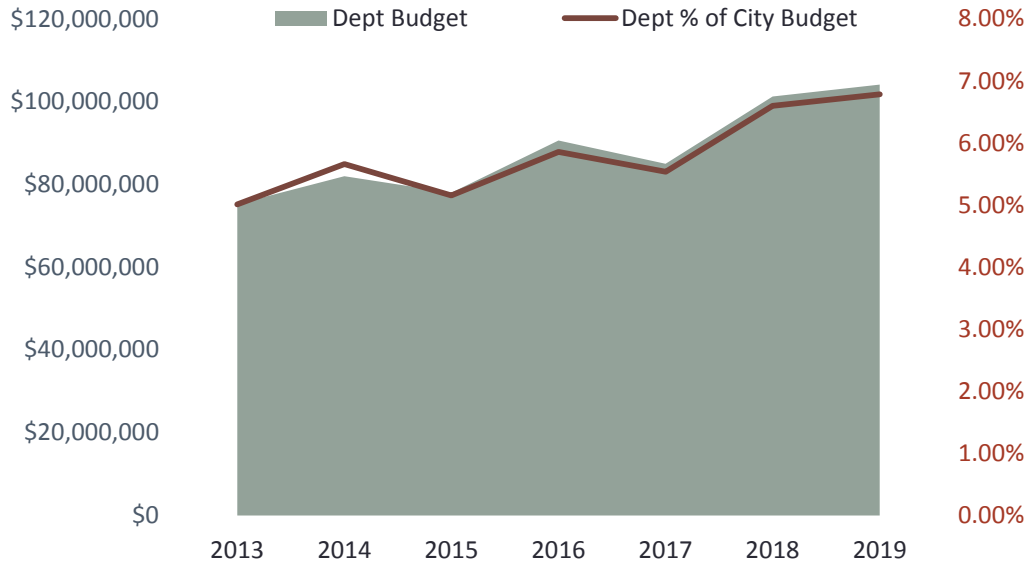
Proposed 2019 Budget

\$2,876,222

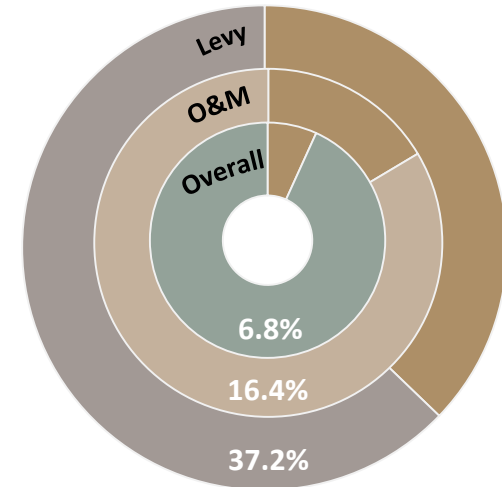
Change in Proposed Budget

2.8%

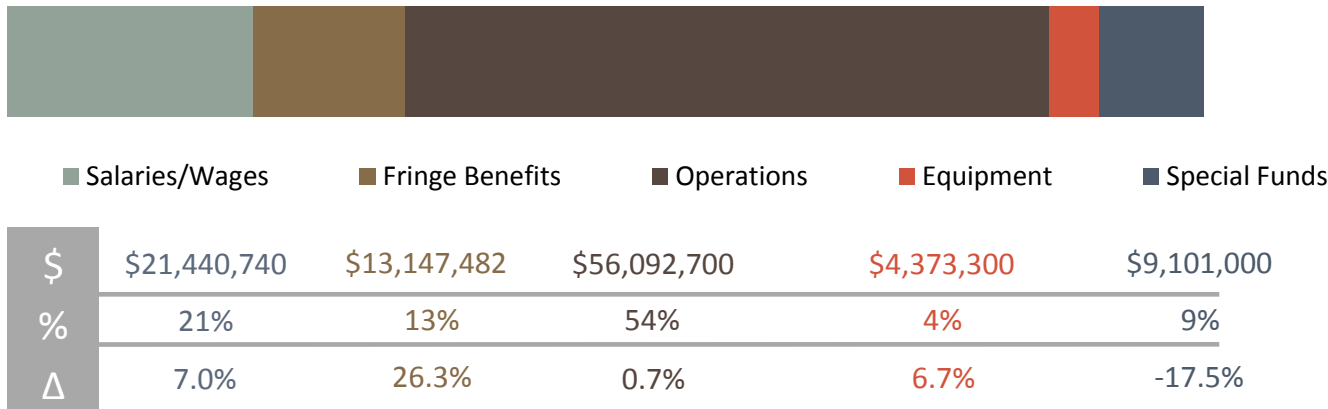
% Change in Proposed Budget



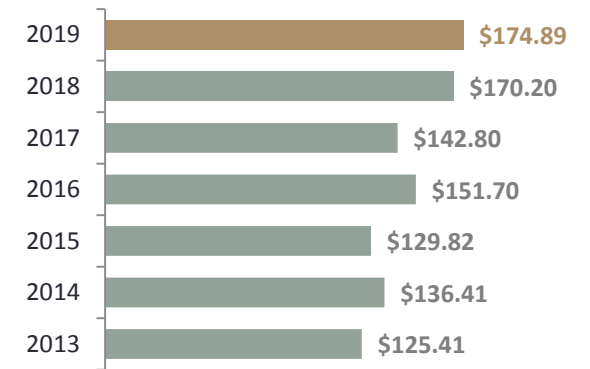
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



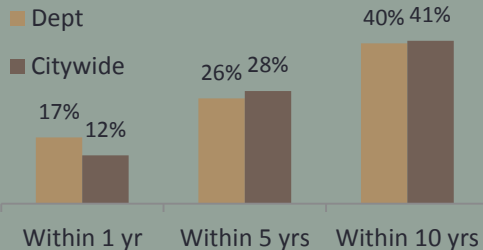
\$1,333,791

Net increase in base salary costs projected for 2019 resulting from position additions and eliminations.

\$948,619

Net increase in base salary costs projected for 2019 in the Distribution Section resulting from in-house replacement of city-side lead service lines.

Retirement Eligible



24

Change in Positions

5.9%

% Change in Positions

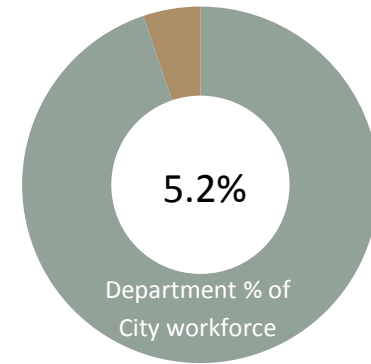
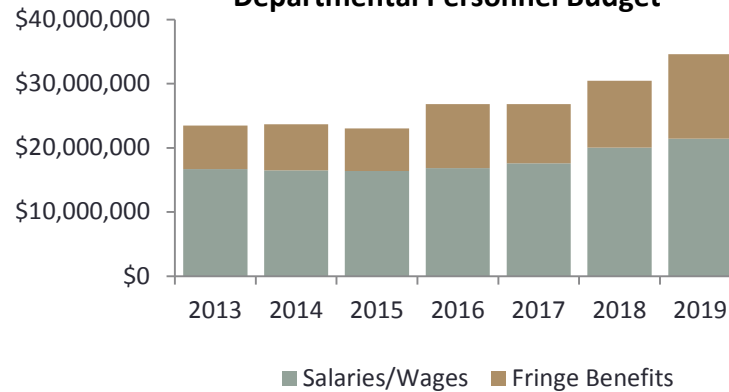
22

Current Vacancies

22

Voluntary Separations

Departmental Personnel Budget



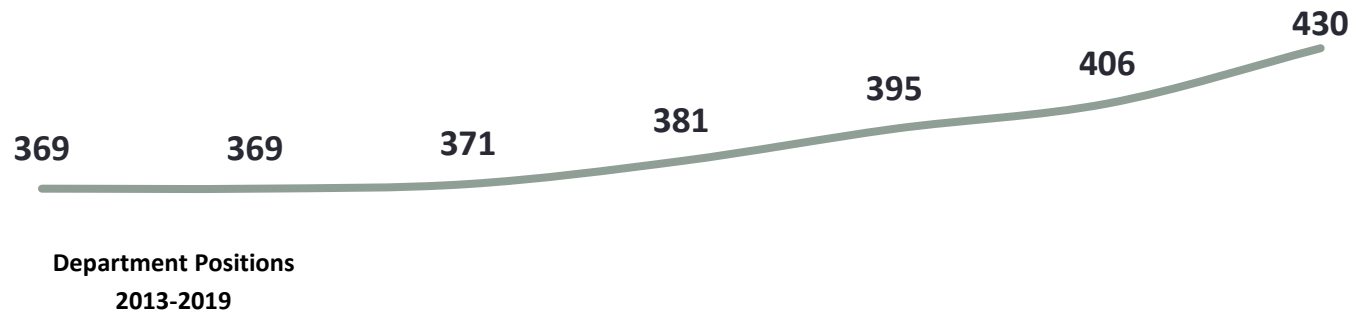
Positions Added & Eliminated for 2019.

60 positions were added, and 36 eliminated. Net position changes by division:

- -2 – Business Organization.
- 4 – North Treatment Plant (Linnwood).
- 1 – Engineering.
- 17 – Distribution.
- 2 – Water Quality.
- 2 – South Treatment Plant (Howard).

18 Positions Added to Increase City-side Lead Service Line Replacement.

- 1 – Field Supervisor.
- 3 – Engineering Technicians.
- 3 – Chief Repair Workers.
- 11 – Repair Workers.



\$12.4 million

Projected spending in 2019 to replace 1,000 lead service lines.

-\$3,679,000

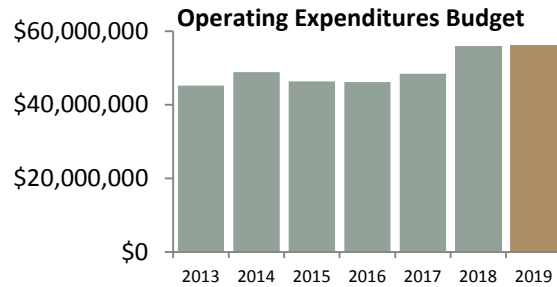
Decrease in total revenues projected for 2019 from the 2018 Adopted Budget - a 3.5% decrease.

18

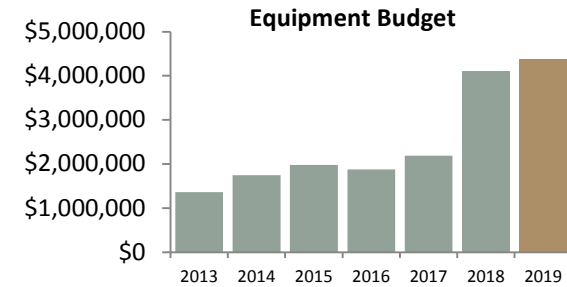
Miles of water main replacements projected for 2019 – unchanged from 2018 – PSC mandates 20 miles per year by 2020.

\$511,000

Projected increase in 2019 additional equipment budget to increase lead service line replacement capacity.



60% | 60% | 59% | 51% | 57% | 55% | 54%
Operating expenditures percent of department budget



2% | 2% | 3% | 2% | 3% | 4% | 4%
Equipment percent of department budget

Service Line Replacements Budget.

Lead-related Activity	2017 Actual	2018 Budget	2019 Budget
Lead Service Line Replacement	\$6,600,000	\$8,800,000	\$11,400,000
Water Testing	\$100,000	\$250,000	\$250,000
Outreach	\$25,000	\$25,000	\$100,000
Bottled water and filters	\$75,000	\$75,000	\$100,000
Admin. & Construction Mgmt.	\$120,000	\$400,000	\$550,000
Total	\$6,920,000	\$9,550,000	\$12,400,000

Revenue Adjustment.

2017 revenue includes \$21 million to capitalize the utility side of service line connections paid for by developers now required by the PSC. This is an estimate of the value of all prior developer-funded utility-side connections.

2019 Budget vs. Actual 2017.

- Wages & Fringes - \$7,782,037 (up 29%).
- Operating Exp. - \$7,678,798 (up 15.9%).
- Equipment Purchases - \$2,184,477 (up 99.8%).
- Total Operating Budget - \$19,139,063 (up 22.5%).

Lead Service Line Replacements.

Replacements by Type	2017 YE.	2018 10/05/18	2018 Proj. YE.	2019 Projected
Leaks and Disruptions	438	417	500	450
Main Relays	18	58	143	250
Other Utility Work	6	0		
Child Cares & Schools	149	128	200	100
Owner-initiated	10	35	35	200
Total	621	638	878	1,000

\$19 million

Projected 2019 increase in operating budget (23%) over actual 2017 expenditures.

\$30,657,222

Projected 2019 capital borrowing authorization. \$8,344,943 (37.4%) increase over actual 2017 borrowing.

\$50,893,646

Actual long-term debt for year-end 2017, up \$14.6 million (40%) from actual 2015.

\$27,975,659

2017 actual cash reserves – up \$9.72 million (53%) over 2016 actual reserves.

Water Rate Increases.

- An automatic 3% simplified rate increase was applied for in July, 2017, and awarded during the final quarter of that year.
- The department expects to petition Public Service Commission for a more comprehensive, convention rate case based on the utility’s operations during the final quarter of 2018. PSC will independently determine any possible rate increase based on the Water Work’s costs structure, including the costs of utility-side lead service line replacement and water main repairs.

Pension Contribution Reporting Change.

The department’s projected pension contribution was included in the estimated employee fringe benefits rather than the special funds section of the 2019 Budget. Pension contribution in the 2018 Adopted Budget was \$1,600,000. Estimated fringe benefits for 2019 are up \$2,735,605, or 23.6%, over the 2018 Adopted Budget.

Liquidity

Year	Net Fund Change	Cash Reserves Year-end	Current Ratio
2016	\$8,846,322	\$18,255,649	4.0
2017	\$37,902,492	\$27,975,659	2.7
2018	(\$1,677,000) *	\$17,558,792 *	2.1
2019	(\$2,850,000) *	\$14,708,792 *	2.1

* I RR estimate

Private-side Lead Service Line Replacement Subsidy.

Department reported in January, 2018, that property owners of 402 of 438 lead service lines replaced in 2017 due to leaks qualified for the City’s private-side replacement subsidy capping the property owners’ share of the replacement at \$1,600. Total property owners’ share of replacement was \$643,200, while the department contributed the remaining private-side lead service line replacement cost of approximately \$1,984,272 based on the department’s estimated \$6,536 replacement cost as of July, 2018.

Recent Actual Capital Borrowing.

- 2014 actual - \$ 1,311,125.
- 2015 actual - \$10,000,000
- 2016 actual - \$20,000,000.
- 2017 actual - \$20,979,442.

PILOT’s – Payments in Lieu of Taxes

2019	\$13,000,000
2018	\$12,700,000
2017	\$13,301,628
2016	\$12,767,171
2015	\$12,880,259
2014	\$12,397,198
2013	\$12,395,168
2012	\$11,891,211

Income Statement Summary	Actual 2014	Actual 2015	Actual 2016	Actual 2017	'18 Adopted	'19 Proposed
Total Gen. Purpose Revenues	\$ 88,906,594	\$97,238,271	\$100,984,610	\$121,466,565	\$104,252,000	\$100,573,000
Operating Expenses						
Salaries & Benefits	\$ 23,662,401	\$23,026,389	\$ 26,819,067	\$ 6,806,185	\$ 30,444,010	\$ 34,588,222
Operating Expenses	\$ 48,862,495	\$46,279,539	\$ 46,161,193	\$ 48,413,902	\$ 55,707,000	\$ 6,092,700
Equipment	\$ 1,743,997	\$ 1,979,933	\$ 1,875,891	\$ 2,188,823	\$ 4,096,990	\$ 4,373,300
Debt Service	\$ 6,220,000	\$ 5,300,000	\$ 14,328,190	\$ 5,391,000	\$ 8,418,000	\$ 7,451,000
Other	\$ 55,554	\$ 103,710	\$ 30,343	\$ -	\$ 200,000	\$ 200,000
Operating Fund Increase	\$ 8,362,147	\$20,548,699	\$ 1,769,926	\$ 38,666,655	\$ 5,386,000	(\$ 2,132,222)
Capital Improvements						
Total Budgeted	\$ 23,958,926	\$23,051,134	\$,500,580	\$ 20,989,710	\$ 2,780,000	\$ 31,385,000
Borrowing	\$ 1,311,125	\$10,000,000	\$ 20,000,000	\$ 2,312,279	\$ 27,307,000	\$ 30,657,222
Cash Financed	\$ 22,618,965	\$13,041,073	\$ 1,495,740	\$ (1,332,837)	\$ 5,463,000	\$ 717,778
Net after Capital Improvements	(\$14,256,818)	\$ 7,507,626	\$ 10,274,186	\$ 39,999,492	(\$ 77,000)	(\$ 2,850,000)