

Milwaukee Water Works

2023 Budget Overview

Finance & Personnel Committee

October 12, 2022

Equity

- **Workforce Development**
 - Inclusion, Diversity, Equity, Access, and Solutions (IDEAS) Group
 - Milwaukee Water Equity Task Force
 - Workforce Development Fairs (Employ Milwaukee & DNR HQ)
- **Equity-Driven LSL Replacement Prioritization**
 - Based on Socio-economic Index, LSL Concentration, and Potentially Blood Lead Level
- **Water Affordability**
 - Promise Pay

Measures

Measure	2021 Actual	2022 Projected	2023 Planned
Rank of highest rate /Ccf of water among Class AB utilities in the 7-county metro area	24 of 27	26 of 27	19 of 27
Rate of Return [PSC Annual Report]	1.08%	2.61%	4.80%
Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act	100%	100%	100%
Main Breaks	430	400	440

Budget Summary

Category	2022 Adopted Budget	2023 Proposed Budget	Amount Change	Percent Change
FTEs – O&M	401.38	402.38	1.00	0.2%
FTEs - Other	21.54	21.54	0.00	0.0%
Total Positions Authorized	437	435	-2	-0.5%
Salaries & Wages	\$22,543,661	\$23,978,813	\$1,435,152	6.4%
Fringe Benefits	15,115,718	15,880,830	765,112	5.1%
Operating Expenditures	56,549,962	60,451,240	3,901,278	6.9%
Equipment	3,532,400	3,611,500	79,100	2.2%
Special Funds	9,809,000	8,824,300	(984,700)	-10.0%
O+M Total	\$107,550,741	\$112,746,683	\$5,195,942	4.8%
Capital Projects	43,060,000	47,010,000	3,950,000	9.2%
Total	\$150,610,741	\$159,756,683	\$9,145,942	6.1%

- Salaries & Wages increase due to 2% cola in 2022, 2% cola in 2023 and job evaluation reports.
- Operating Expenditures increased due to energy costs, chemical cost and increase to PILOT.
- Special Funds reduction is primarily debt service and a decrease due to fulfillment of a general obligation bond.

Revenues

Description	2022 Adopted Budget	2023 Proposed Budget	Amount Change	Percent Change
Operating	\$ 94,033,030	\$ 93,179,600	\$ (853,430)	-1%
Non-Operating	7,600,000	7,683,000	83,000	1%
Developer Capital and Assessments	10,000	10,000	-	0%
Bond Issue	43,050,000	47,000,000	3,950,000	9%
LSL Replacement- City Share	4,000,000	4,000,000	-	0%
LSL Replacement- Special Assess	1,500,000	1,750,000	250,000	17%
Withdrawal From Retained Earnings	417,711	6,134,083	5,716,372	N/A
Total	\$ 150,610,741	\$ 159,756,683	\$ 9,145,942	6%

- Operating Revenue assumed a rate increase effective for half of 2023
- Withdrawal from Retained Earnings increased primarily due to energy costs, chemical costs, and PILOT.

Position Changes

- **Added HR Assistant (ADMIN)** – Increased workload related to resignations and hiring.
- **Added Water Billing Specialist (Commercial Services)** – Increased work related to condominium billing process.
- **Added Custodial Worker III (Meter Services)** – Work related to custodial/maintenance duties at Meter Services.
- **Added Program Assistant III (Distribution)** – Lead service line replacement administration
- **Added Program Assistant II (WQ)** – Increased workload for Lead and Copper Rule Revisions (effective in 2024) requirements.
- **Eliminated three AUX-Water Meter Technician (Meter Services)** – Reflects decrease in workload as AMR program approaches completion.
- **Eliminated four Water Distribution Repair Worker I (Aux)(0.5fte)**
- **0 net change for section**

Rate Case

Timing

- Last conventional rate case- November 2014: +11.4%
- Simplified Rate Cases in 2016, 2017, & 2019: +3%
- 2022-2023 Conventional Rate Case
 - March 2022- Application submitted
 - Sept. 2022- New revenue requirements from PSC
 - Spring 2023- New rates anticipated to be in effect

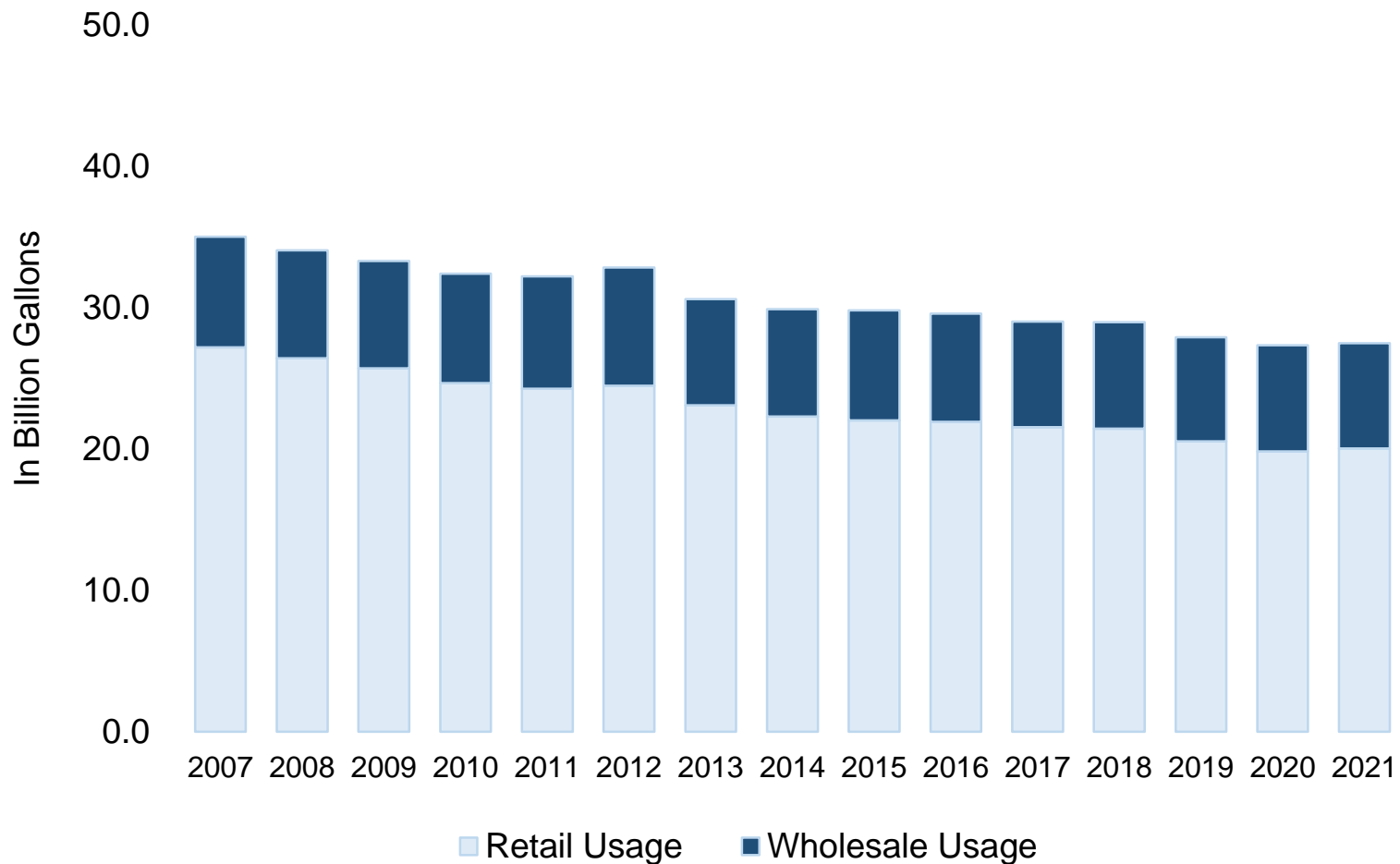
Justification

- PSC mandate to apply for conventional rate case
- Growing debt service obligations
- Benefits/advantages
 - Fund current operations, avoid drawdown on reserves
 - Cash-finance larger share of capital program to reduce future debt service
 - Present case to PSC for reducing water main replacement requirement from 20 miles to 14 miles

Consumption & Revenue Trends

- 16.0% loss in consumption since 2011
 - 1.54% average consumption loss per year
- Revenues are highly sensitive to changes in consumption
- Regular rate increases are necessary to continue to fund operations
 - Fixed costs > variable costs
- 2022 YTD water consumption down 0.8% in comparison to 2021

Water Consumption 2007 through 2021



Capital Improvements Budget

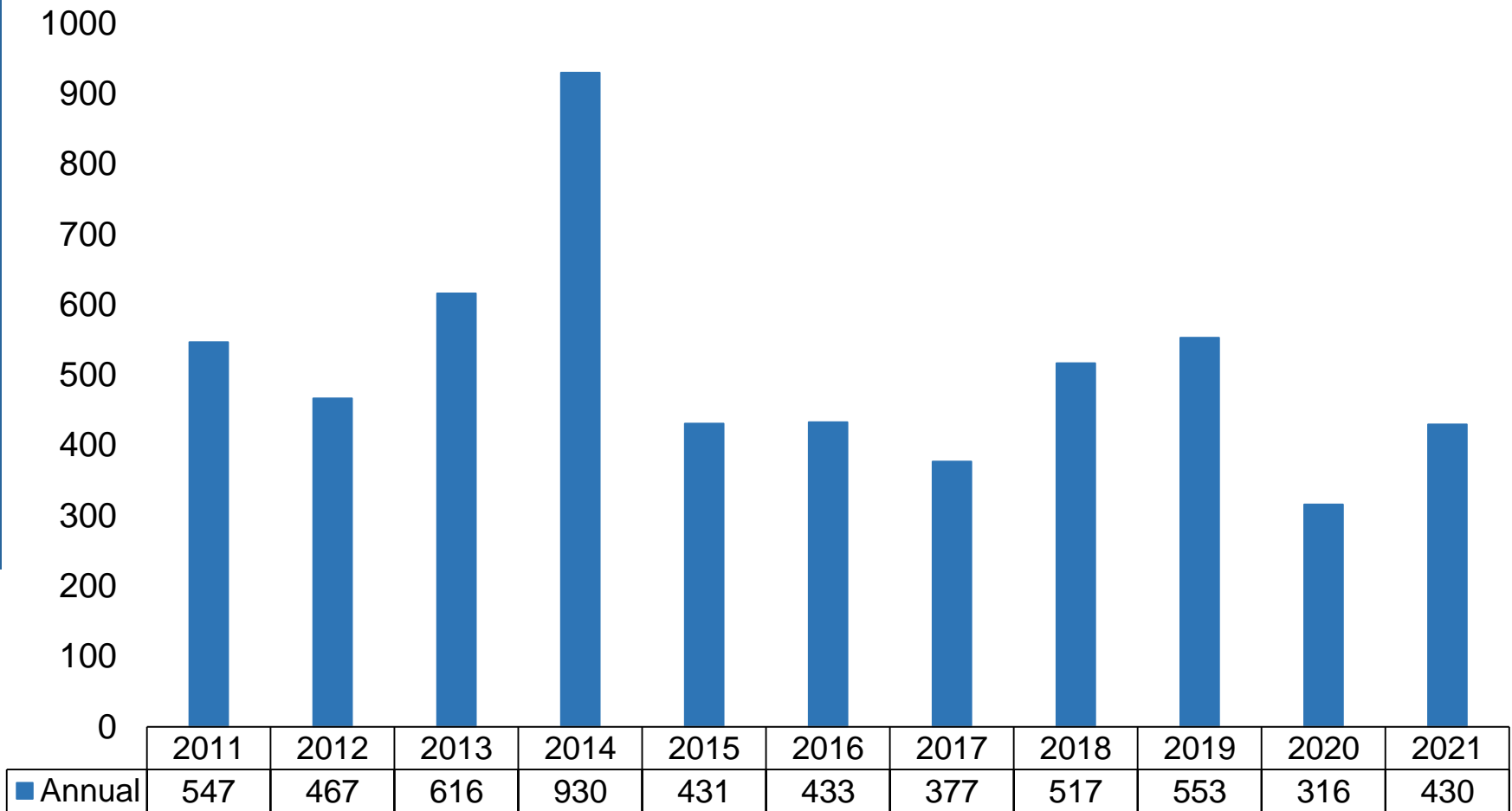
Category	2022 Adopted Budget	2023 Proposed Budget	Amount Change	Percent Change
Water Main Replacement	32,570,000	32,550,000	-20,000	-0.1%
Linnwood & Howard Treatment Plant Improvements	8,275,000	12,000,000	3,725,000	45.0%
Pump Facilities Improvements	1,115,000	950,000	-165,000	-15%
Storage Facilities Improvements	50,000	800,000	750,000	1500%
Meter Shop Repairs	940,000	400,000	-540,000	-57%
Capital Project Contingencies	100,000	100,000	-	0%
Work Order & Asset Management Software	0	200,000	200,000.00	N/A
Total	\$ 43,050,000	\$ 47,000,000	\$ 3,950,000	9.2%

Capital Budget Highlights

- Water Main Improvements: \$32.6m
 - Replaces 20 miles of water main per PSC requirement
 - ~\$1.4m per mile
 - Replaces 200 LSL's with main replacement projects, plus another 300 with paving projects
- Treatment Plants, Pumps, & Meter Shop Repairs: \$14.5m
 - Filter bed and other filter upgrades
 - Chemical feed upgrades
 - Storage tank rehabilitation and painting
 - Meter shop roof replacement

Water Main Breaks 2011 through 2021

Annual Main Breaks 2011-2021



Lead Service Line Update

- Evaluating the current program to improve efficiency
- Developing an equity-based prioritization plan using a socio-economic index (ADI or SVI), LSL density, and potentially EBLL
- Safe Drinking Water Loan Program (SDWLP) – LSL Program
 - \$48M allocated by EPA to State of WI for 2022 FFY
 - 49% Principal Forgiveness - ~ \$24M
 - DNR to issue Intended Use Plan in October
 - Intent to Apply by 10/31
 - Application due by 6/30/23
 - Financial award (principal forgiveness/interest loan) late summer
- Employ Milwaukee received \$2M Congressionally Directed Spending grant to partner with Water Works on workforce development