



# Milwaukee Water Works

2021 Budget Overview

Finance & Personnel Committee

October 9, 2020

# Mission & Objectives

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## Mission

- Provide a safe and reliable supply of water to customers at a competitive price

## Objectives

- Improve the utility's rate of return while maintaining a strong competitive position in the national and regional water market
- Reliably treat, store and distribute high quality water to all customers
- Achieve 100% compliance with Safe Drinking Water Act standards
- Minimize disruption to the water service of customers

# Performance Measures

Measure	2019 Actual	2020 Projected	2021 Planned
Rank of highest rate /Ccf of water among Class AB utilities in the 7-county metro area	24 of 27	24 of 27	22 of 27
Rate of Return [PSC Annual Report]	4.47%	3.64%	2.55%
Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act	100%	100%	100%
Main breaks	553	373	454

# 2021 Budget Summary

	<b>2020 Adopted Budget</b>	<b>2021 Proposed Budget</b>	<b>Amount Change</b>	<b>Percent Change</b>
FTEs – O&M	401.49	403.38	1.89	0.5%
FTEs - Other	20.43	21.54	1.11	5.4%
Salaries & Wages	\$22,281,182	\$22,006,722	-\$274,460	-1.2%
Fringe Benefits	12,352,790	14,941,189	2,588,399	21.0%
Operating Expenditures	56,306,700	56,831,700	525,000	0.9%
Equipment	3,930,100	4,889,900	959,800	24.4%
Special Funds	8,562,000	11,133,000	2,571,000	30.0%
<b>TOTAL</b>	<b>\$103,432,772</b>	<b>\$109,802,511</b>	<b>\$6,369,739</b>	<b>6.2%</b>

# Key Operating Budget Changes and Highlights

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- Salary (-\$274k)
  - Increased Capital deduction in Engineering, other salary adjustments
  - 3 new positions added in 2021 Budget
    - 1 in each section: IT, Engineering and Leak Detection
- Fringe Benefits (+\$2.6 million)
  - Increase to pension contribution
- Special Funds (+\$2.6 million)
  - Borrowing for accelerated main replacement program leading to increased debt service payments

# Revenues

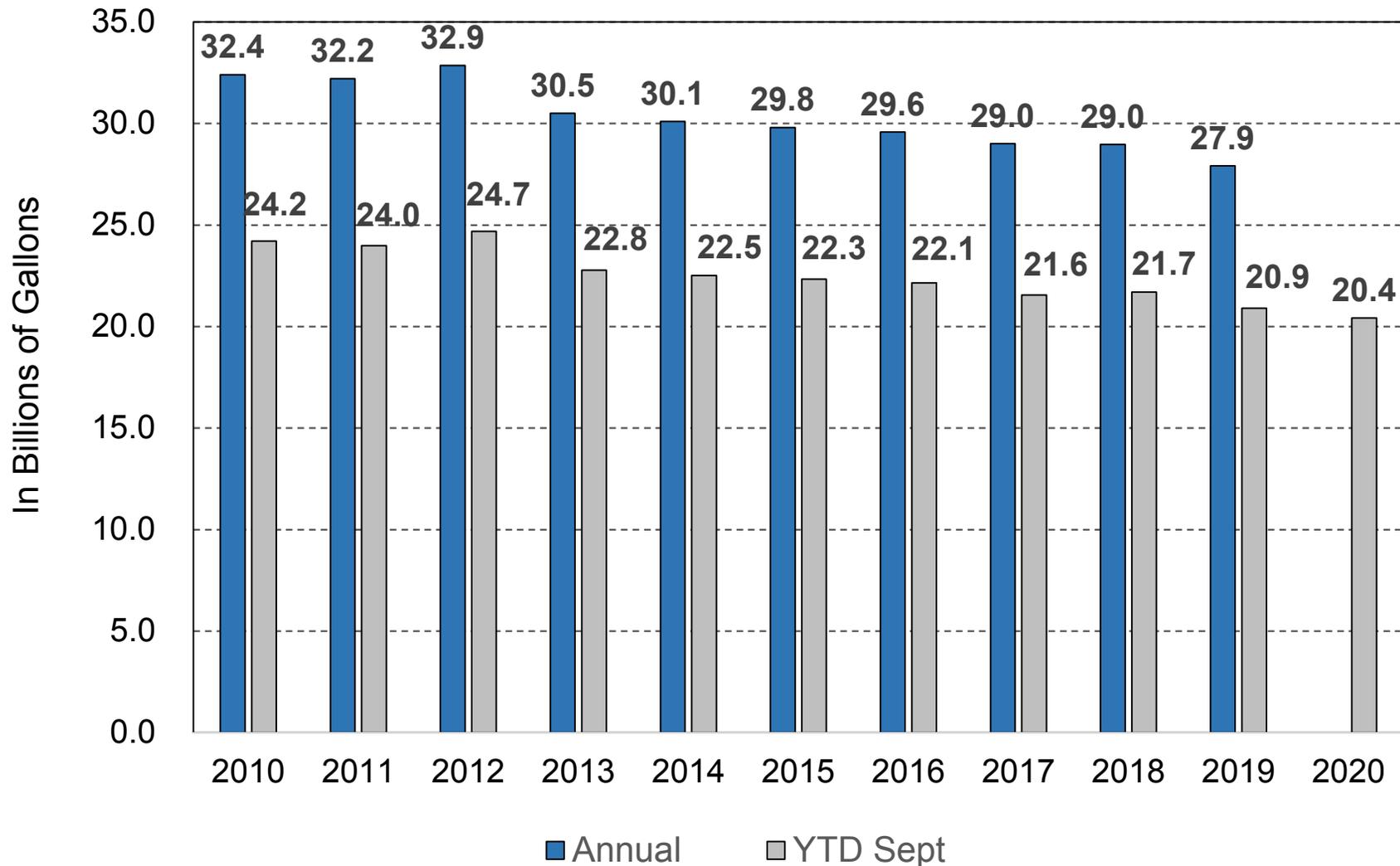
<b>Category</b>	<b>2020 Adopted</b>	<b>2021 Proposed</b>	<b>Amount Change</b>	<b>Percent Change</b>
Operating Revenue	\$94,675,000	\$91,003,000	-\$3,672,000	-3.9%
Non-Operating Revenue	7,916,000	6,308,000	-1,608,000	-20.3%
LSL Reimbursement	5,300,000	5,500,000	200,000	3.8%
Withdrawal from Retained Earnings	0	6,991,511	6,991,511	N/A
Assessable/Developer Funding	10,000	10,000	0	
Proceeds from Borrowing	40,101,772	40,290,000	188,228	0.5%
<b>TOTAL</b>	<b>\$148,002,772</b>	<b>\$150,102,511</b>	<b>\$2,099,739</b>	<b>1.4%</b>

# Consumption & Revenue Trends

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- 25.1% loss in consumption since 2004
  - 1.7% 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
- 2020 water consumption down -2.4% from 2019
  - Small increases to wholesale & residential consumption offset by large decreases to commercial and industrial consumption

# Water Consumption 2010 through 2020



# Capital Improvements Budget

<b>Project</b>	<b>2020 Adopted Budget</b>	<b>2021 Proposed Budget</b>	<b>Amount Change</b>	<b>Percent Change</b>
Water Main Replacement	\$32,760,000	\$35,860,000	\$3,100,000	9.5%
Linnwood & Howard Treatment Plant Improvements	950,000	3,130,000	2,180,000	229.5%
Pump Facilities Improvements	10,700,000	1,150,000	-9,550,000	-89.3%
Storage Facilities Improvements	50,000	50,000	0	0.0%
Meter Shop Repairs	10,000	10,000	0	0.0%
Capital Project Contingencies	100,000	100,000	0	0.0%
<b>TOTAL</b>	<b>\$44,570,000</b>	<b>\$40,300,000</b>	<b>-\$4,270,000</b>	<b>-9.6%</b>

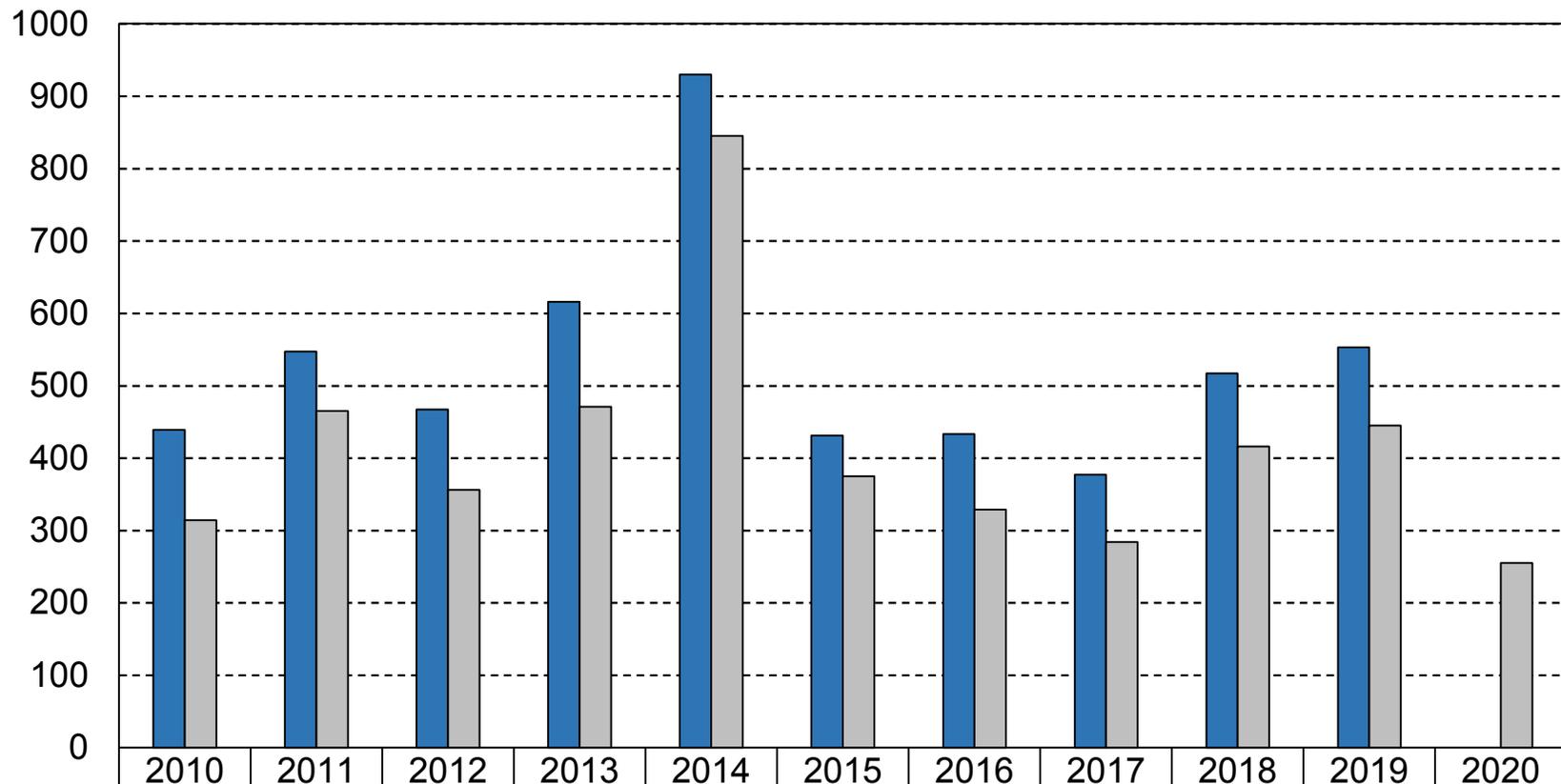
# Capital Budget Highlights

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- Water Main Replacement (\$35.9 million)
  - 20 miles of main replacement
  - \$3.25 million for lead service line replacements: ~~450~~ 550
  - \$3 million for Waukesha transmission main
- Treatment, Storage and Pumping (\$4.4 million)
  - \$1.4 million for filter bed replacement at Howard plant
  - \$750,000 for electrical upgrades to Lincoln pumping station

# Water Main Breaks 2010 through 2020

Annual vs. YTD September Main Breaks (2010-2020)



■ Annual	439	547	467	616	930	431	433	377	517	553	
■ YTD Sept	314	465	356	471	845	375	329	284	416	445	255

# Impact of COVID in 2020

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- Main Replacement below 20 mile goal
- Meter Services
  - Automated Meter Reading (AMR) project had stalled, now at 91.7% complete
  - Reassigned Meter Services staff to Distribution
- Revenue Impact
  - Late fees waived on Municipal Services Bill
  - Delayed Conventional Rate Case
- Lead service line (LSL) replacements
  - Prioritized vacant properties temporarily
  - Filter pitchers delivered to LSL replacement customers

# Lead Service Line Update

- 800 projected LSL replacements in 2020
- 694 filter pitchers issued as of September 30, 2020
- Protocol for entering properties safely
- Planned projects to include some paving projects
- Safe Drinking Water Loan Program (SDWLP) funding for 2020 and 2021 replacements
- Corrosion Control Treatment Study ongoing to ensure optimization
- Lead and Copper Rule Revisions will result in budgetary needs for Water Quality Laboratory



# Rate Case Update

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## Recent history of rate increases

- Conventional Rate Case - November 2014: 11.4%
- Simplified Rate Case - September 2016: 3%
- Simplified Rate Case - September 2017: 3%
- Simplified Rate Case – September 2019: 3%
- Conventional Rate Case – 2021
  - PSC Order to negotiate methodology with Wholesale customers
  - PSC Order to apply by December 31, 2020 – Requested Extension due to COVID-19 impacts

# Other Initiatives

- Water Equity Road Map complete; work to continue
- Asset Management data collection
- Efforts to reduce non-revenue water savings of up to \$650,000 in water production costs
- Partnership for Safe Water – Distribution System
- Wholesale Water
  - PSC approved construction of main and pumping station to provide water to Waukesha
  - Franklin negotiations continue

