

2021



Legislative Reference Bureau

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WATER WORKS

Milwaukee
Water Works

Safe, Abundant Drinking Water.

2020 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst
Budget Hearing: 10:30 am on Friday, October 9, 2020



\$109,802,511

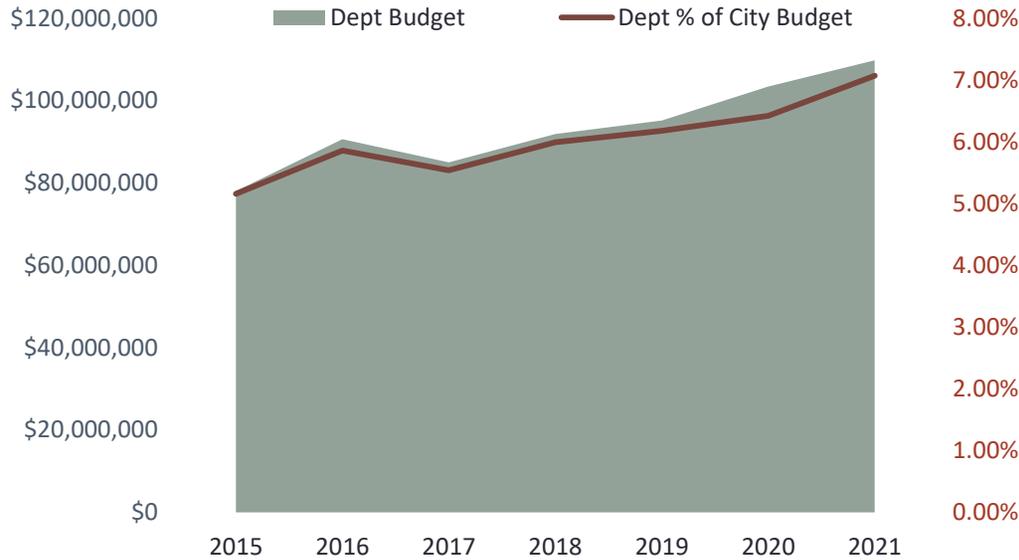
Proposed 2021 Budget

\$6,369,739

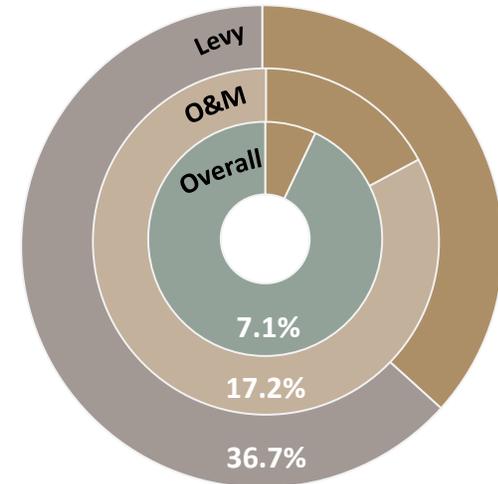
Change in Proposed Budget

6.2%

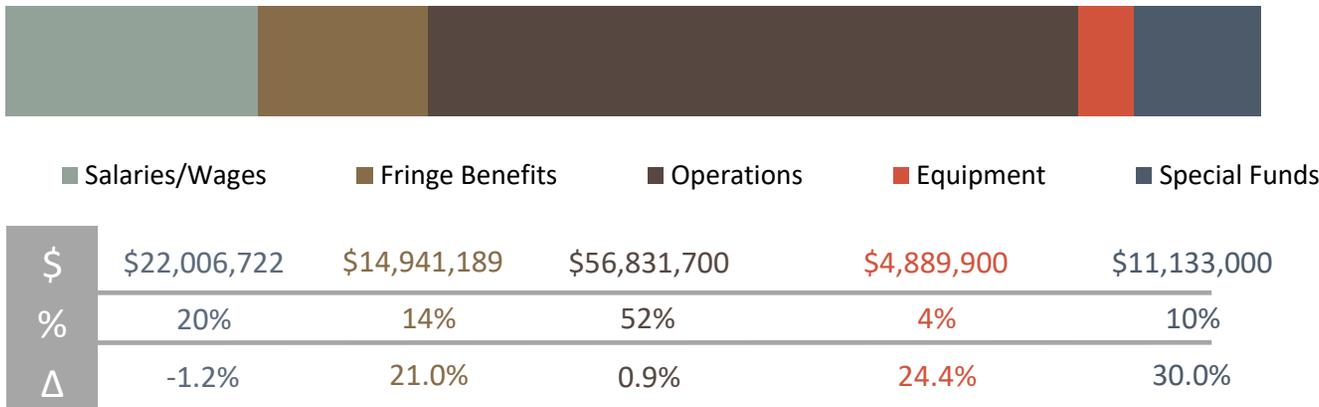
% Change in Proposed Budget



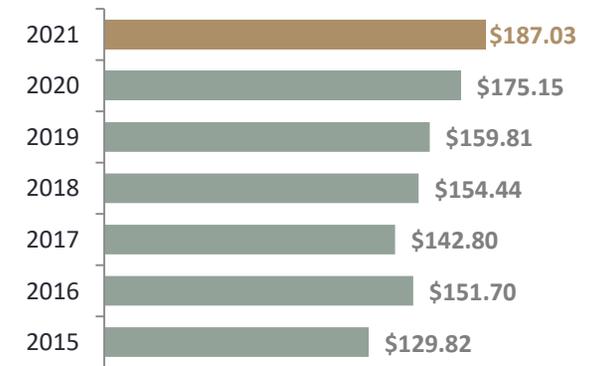
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



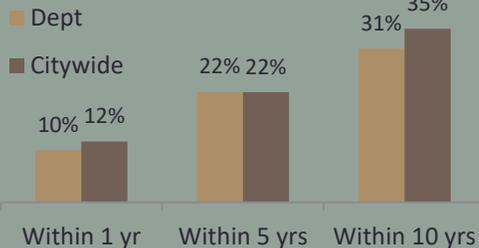
\$164,640

Increase in base salary costs projected for 2021 resulting from 13 new positions and eliminating 10.

\$189,959

Increase in projected 2021 wages and salary costs resulting from changes in base salaries.

Retirement Eligible



3

Change in Positions

0.7%

% Change in Positions

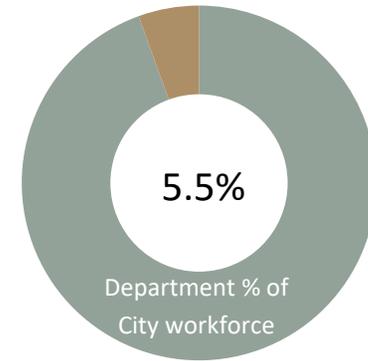
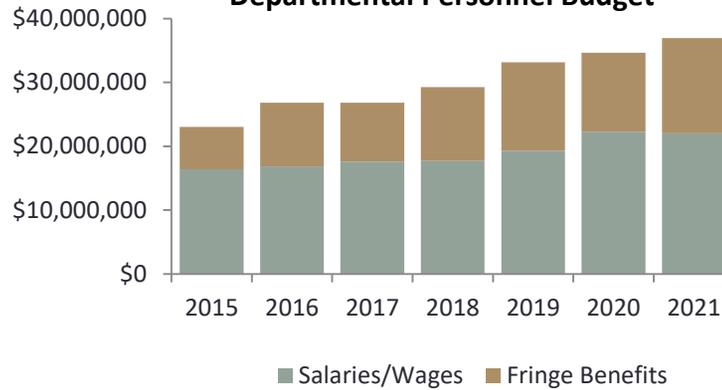
68

Current Vacancies

32

Voluntary Separations

Departmental Personnel Budget



Staffing - 13 New Positions Added

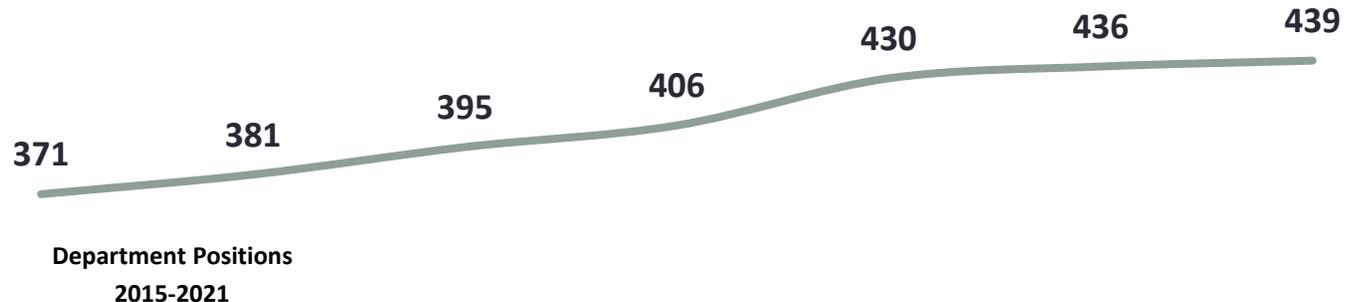
- IT Supervisor 1
- Data Base Associate 1
- Plant Maintenance Mgr. 1
- Sr. Treatment Plant Oprs. 6
- Civil Engineer II 1
- Drafting Tech IV 1
- Repair Worker 1
- Maintenance Supervisor 1

Staffing - Vacancies.

Included in the department's 68 vacancies are following 33:

- Repair Worker 4
- Drafting Technician IV 8
- Meter Technician* 7
- Machine Repairperson 14
- Sr. Treatment Plant Opr. 6
- Customer Service Rep. III 5

* Includes 12 auxiliary positions.



1,002

Lead service line replacements in 2019. 290 lines were replaced in 2020 through July, 15, 2000.

-\$520,518

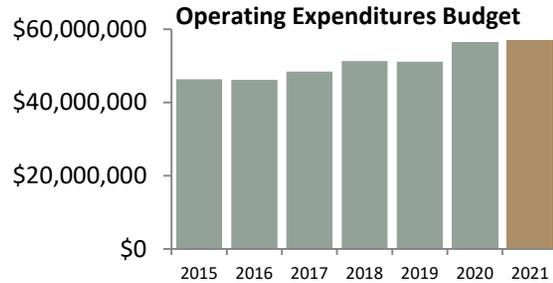
Decrease in total revenues projected for 2021 from the actual 2019 revenues - a 0.5% decrease.

3%

Simplified rate increase went into effect in September, 2019.

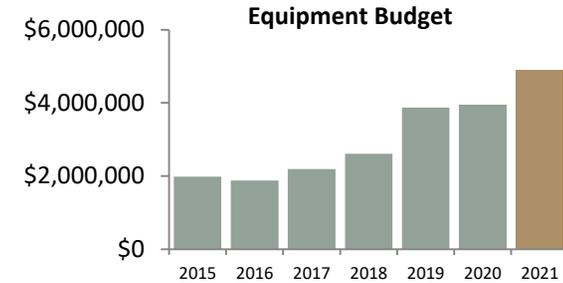
\$3.25 million

Projected 2021 capital budget to replace utility portion of 550 lead service-line replacements associated with scheduled main replacements.



59% | 51% | 57% | 56% | 54% | 54% | 52%

Operating expenditures percent of department budget



3% | 2% | 3% | 3% | 4% | 4% | 4%

Equipment percent of department budget

Average Lead Water Service Line Replacement Costs.

As of June 30, 2020, the average cost of replacing the utility’s portion of a lead water service line was \$5.731, including pavement restoration, while the average cost to replace the property owner’s portion was \$5,775.

Eligible property owners are assessed one-third of the average cost of replacing the owner’s portion of the line (\$1,925 currently), or \$1,754 if the replacement is made after March 1, 2020.

Infrastructure 2021 Lead Water Service Line Replacement Budget.

\$5.5 million to replace the property owner’s portion - \$4 million to pay the owner’s subsidy to the contractor - \$1.5 million to finance to owner’s portion of the cost.

Main Replacement.

Average spending 2015 to 2019:

- \$20,097,552

Proposed allocation for 2021:

- \$35,860,000

Lead Service Line Replacements through 07/15/20.

Replacements by Type	2017	2018	2019	2020	Total
Leaks and Disruptions	437	547	670	240	1,894
Main Relays	18	143	179	36	376
Other Utility Work	6	0	1	0	7
Child Cares & Schools	150	204	129	2	485
Owner-initiated	11	39	23	12	85
Total	622	933	1,002	290	2,847

\$14.6 million

Projected 2021 increase in operating budget (15%) over actual 2019 expenditures.

\$12.5 million

Budget for pumping station and pipeline construction authorized by the Public Service Commission in July, 2020, for water delivery to the City of Waukesha.

\$71,110,916

Actual long-term debt for year-end 2019 - up \$16.9 million (31%) from actual 2016.

\$28,427,604

2019 actual cash reserves – up \$698,789 (2.5%) over 2018 actual reserves.

Water Rate Increases.

The Water Works conventional rate case application to the Public Service Commission requiring a complex analysis of the utility’s operations to change water rates was made and granted in 2014. The PSC conditionally ordered the Water Works to submit a conventional rate case application to evaluate the utility’s rate by December 31, 2020. However, due to the financial hardship experienced by many Milwaukee residents due to the COVID pandemic, the utility is reluctant to increase water rates, potentially adding the financial stress of the moment. The Water Works has applied to the PSC, and expects to be granted, an extension and will make its conventional rate case application sometime in the future.

Recent Capital Borrowing.

- 2014 Actual - \$ 1,311,125
- 2015 Actual - \$10,000,000
- 2016 Actual - \$20,000,000
- 2017 Actual - \$22,312,279
- 2018 Actual - \$21,763,615
- 2019 Actual \$0
- 2020 Budget \$40,101,772
- 2021 Budget \$40,290,000

Staffing - GIS Developer Position Unfilled

New position funded in 2020 Adopted Budget added to expand the department’s GIS capacity to more effectively utilize the efficiencies of GIS technology to manage maintenance of the water distribution system and other department activities remains unfilled.

Water Works July, 2020, cost estimate to proactively replace all lead water service lines.

- \$796,162,805

Liquidity.

Year	Net Fund Change	Cash Reserves Year-end	Current Ratio
2018	\$5,360,830	\$27,728,815	2.4
2019	(\$24,665,201)	\$28,427,604	3.1
2020	(\$6,037,000)*	\$19,138,191*	2.1
2021	(\$9,138,511)*	\$12,553,304*	2.0

* LRB Estimate

Payments in Lieu of Taxes (PILOT).

2021 est.	\$13,459,000
2020 est.	\$13,500,000
2019	\$13,300,000
2018	\$13,090,014
2017	\$13,301,628
2016	\$12,767,171
2015	\$12,880,259
2014	\$12,397,198

The chart below shows the amount the department's revenues exceed its expenditures.

Income Statement Summary	Actual 2016	Actual 2017	Actual 2018	Actual 2019	'20 Adopted	'21 Proposed
Total Gen. Purpose Revenues	\$ 100,984,610	\$ 120,981,964	\$ 103,387,981	\$ 100,325,518	\$ 100,892,000	\$ 99,805,000
Operating Expenses						
Salaries & Benefits	\$ 26,819,067	\$ 26,806,185	\$ 29,277,726	\$ 33,133,390	\$ 34,633,972	\$ 36,947,911
Operating Expenses	\$ 46,161,193	\$ 48,413,902	\$ 1,230,165	\$ 51,095,275	\$ 56,306,700	\$ 56,831,700
Equipment	\$ 1,875,891	\$ 2,188,823	\$ 2,607,912	\$ 3,870,763	\$ 3,930,100	\$ 4,889,900
Debt Service	\$ 4,328,190	\$ 5,391,000	\$ 8,417,965	\$ 6,702,448	\$ 7,400,000	\$ 10,074,000
Other	\$ 30,343	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Operating Fund Increase	\$ 11,769,926	\$ 38,182,054	\$ 11,654,213	\$ 5,323,642	\$ (1,578,772)	\$ (9,138,511)
Capital Improvements						
Total Budgeted	\$ 21,500,580	\$ 20,989,710	\$ 28,077,710	\$ 30,018,046	\$ 44,570,000	\$ 40,300,000
Borrowing	\$ 20,000,000	\$ 22,312,279	\$ 21,763,615	\$ -	\$ 40,101,772	\$ 40,290,000
Cash Financed	\$ 1,495,740	\$ (1,332,837)	\$ 6,293,383	\$ 29,988,843	\$ 4,458,228	\$ -
Net after Capital Improvements	\$ 10,274,186	\$ 39,514,891	\$ 5,360,830	\$(24,665,201)	\$ (6,037,000)	\$ (9,138,511)
Pension Contribution	\$ 1,427,864	\$ 2,097,000	\$ -	\$ -	\$ -	\$ -
Net Fund Change	\$ 8,846,322	\$ 37,417,891	\$ 5,360,830	\$(24,665,201)	\$ (6,037,000)	\$ (9,138,511)