

2018



Legislative Reference Bureau

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WATER WORKS

Milwaukee
Water Works

Safe, Abundant Drinking Water.

2018 Proposed Plan and Executive Budget Review

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Budget Hearing: 10:30 am on Monday, October 16, 2017

Last Updated: October 10, 2017

Version 1.1



\$101,279,000

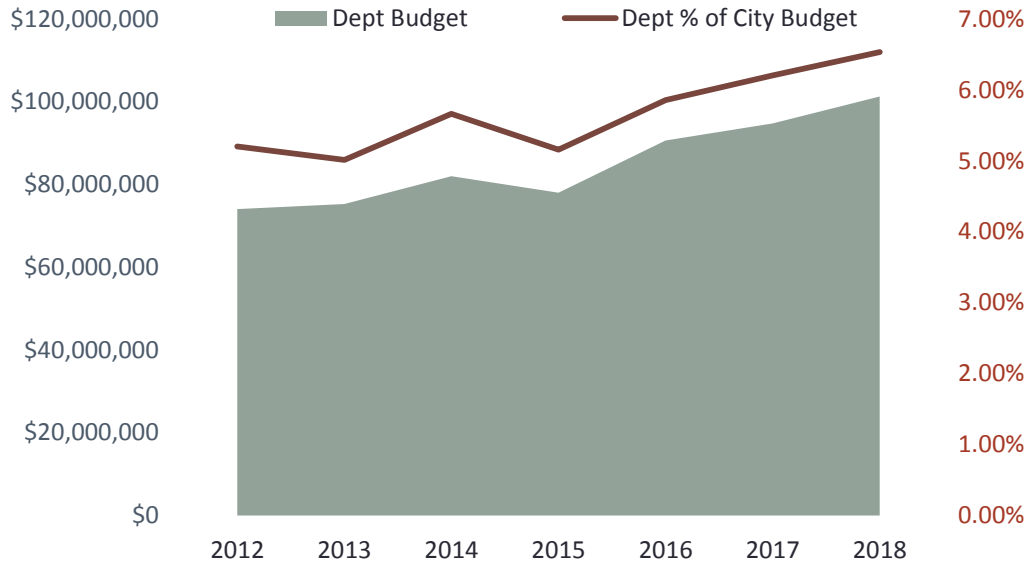
Proposed 2018 Budget

\$6,514,000

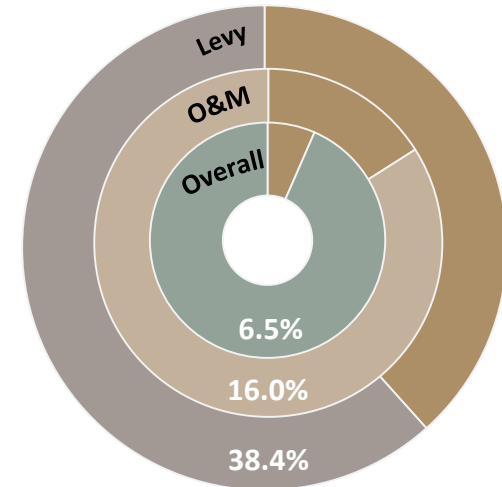
Change in Proposed Budget

6.9%

% Change in Proposed Budget



Departmental Budget Impact

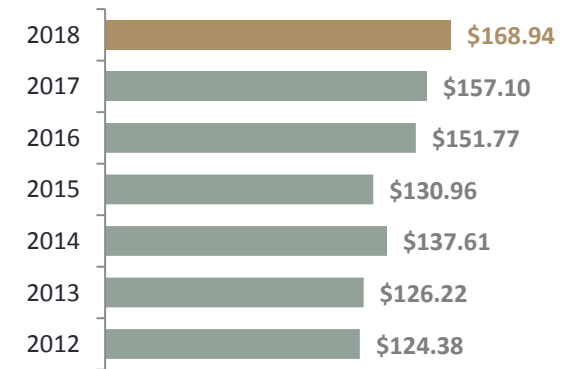


Departmental Budget Appropriation Category



	Salaries/Wages	Fringe Benefits	Operations	Equipment	Special Funds
\$	\$20,032,133	\$10,411,877	\$55,707,000	\$4,096,990	\$11,031,000
%	20%	10%	55%	4%	11%
Δ	4.0%	11.6%	0.7%	10.9%	53.4%

Budget per Capita



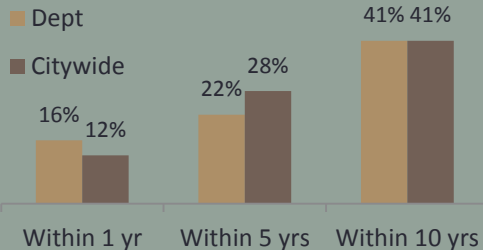
\$655,322

Net increase in base salary costs projected for 2018 resulting from position additions and eliminations.

\$199,350

Increase in payroll costs due to a projected reduction in the reimbursable services provided to other City departments in 2018 by MWW's engineering and distribution divisions.

Retirement Eligible



11

Change in Positions

2.8%

% Change in Positions

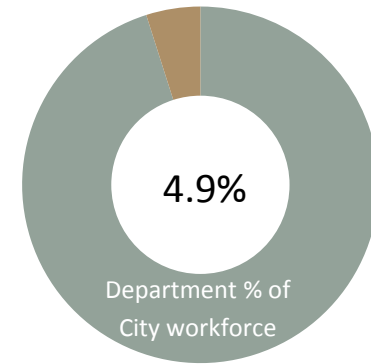
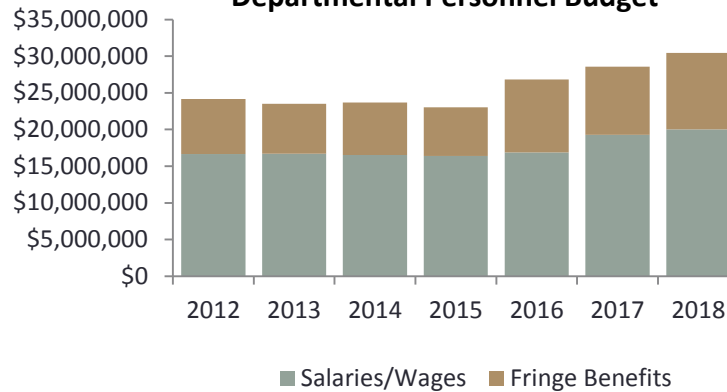
38

Current Vacancies

17

Voluntary Separations

Departmental Personnel Budget



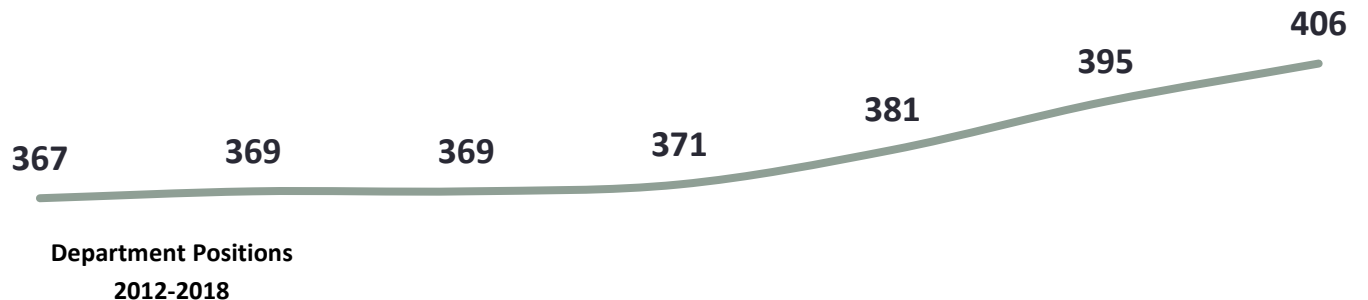
Positions Added & Eliminated for 2018.

22 positions were added and 11 eliminated. Net position changes by divisions are:

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

\$1,860,010 Increase in Net Salary and Benefits.

- \$779,466 increase in net salary costs.
- \$1,080,544 increase in fringe benefit costs. (projection rate 52% vs. 48.5% in 2017)



\$8,800,000

Projected spending in 2018 for the replacement of lead service lines.

\$3,589,802

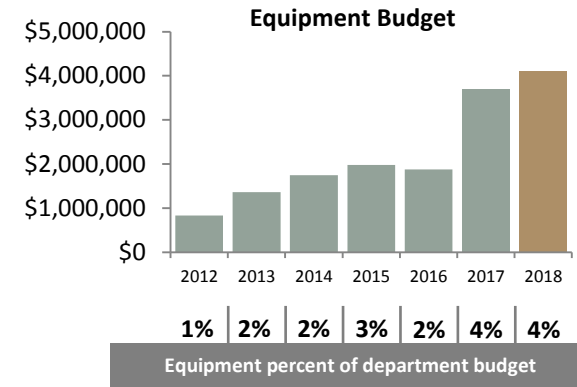
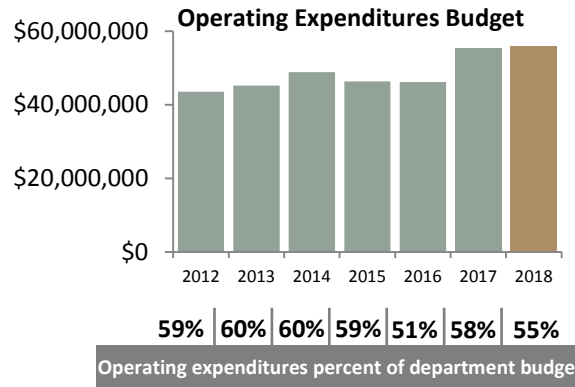
Increase in total revenues projected for 2018 over 2016 actual revenues - a 3.6% increase.

18

Miles of water main replacements projected for 2018 – up 3 miles, or 20%, from 2017 – scaling up to 20 miles in 2020 per PSC mandate.

\$150,000

Projected cost of proposed engineering study to provide recommendations on how to better match the utility's over-capacity to demand.



\$8.8 million to Replace Lead Service Lines.

- Projected 800 replacements of drinking water service lines connecting water mains to customer meters.
- Expenditures made as part of utility's operating, infrastructure services costs, although \$2.5 million will be borrowed by DPW Infrastructure Services.

Lead Service Line Replacements.

- \$4.8 million budgeted to replace the utility-owned portions of 800 lead service lines.
- \$4.0 million budgeted to replace the customer-owned portion of 800 lead service lines – including \$1.1 million assessed to the customer, \$1.5 million provided by the state and \$1.4 paid by the utility.

461 Year-to-Date Lead Service Line Replacements - 2017.

383 lines replaced through September 5, 2017:

- 262 - emergency service line failures.
- 17 – planned replacements in conjunction with capital improvements.
- 50 – replacements at child care facilities.
- 9 – requested by customer.

123 pending replacements as of September 5, 2017.

2018 Water Main Replacement

The utility believes it now has the financing and staffing to begin proactively replacing lead service lines, and expects 100 of the 800 lead service lines replaced in 2018 will be part of scheduled main replacements, ending the utility's self-imposed moratorium on scheduling replacements of mains connected to lead rather than copper service lines.

\$10,636,451

Projected 2018 increase in operating budget (11.7%) over actual 2016 expenditures.

\$27,307,000

Projected 2018 capital borrowing authorization. \$7,207,000 (36.5%) increase over actual 2016 borrowing.

\$54,203,291

Actual long-term debt for year-end 2016, up \$30.6 million (130%) from actual 2014.

\$18,255,649

2016 actual cash reserves – up \$1.66 million (10%) over 2015 actual reserves.

Water Rate Increase.

- 3% simplified rate case increase implemented in September, 2017. The rate increase is expected to generate \$2.7 million in revenues during 2017. A similar 3% rate increase took effect in September, 2016.
- Utility plans to apply to the Wisconsin Public Service Commission for a full rate increase in 2018. Last full rate increase of 11.5% was implemented in 2014.

Future Water Main Replacement.

Wisconsin Public Service Commission mandates that the miles of mains replaced annually increase from 18 miles in both 2018 and 2019, to 20 miles in 2020.

2018 Increased Operating Budget vs. Actual 2016.

- Wages & Fringes - \$3,624,943 (up 13.5%).
- Operating Expenditures - \$9,545,807 (up 20.7%).
- Equipment Purchases - \$2,221,099 (up 118.4%).
- Total Operating Budget - \$10,636,452 – (up 11.7%).

Recent Actual Capital Borrowing.

- 2012 actual - \$ 4,000,000.
- 2013 actual - \$ 5,342,796.
- 2014 actual - \$ 1,311,125.
- 2015 actual - \$10,000,000.
- 2016 actual - \$20,000,000

Liquidity

Year	Net Fund Change	Cash Reserves Year-end	Current Ratio
2014	(\$15,724,114)	\$11,225,945	1.2
2015	\$6,174,531	\$16,597,631	1.6
2016	\$8,523,910	\$18,255,649	4.0
2017	(\$2,900,000) *	\$15,355,649 *	3.8
2018	(\$1,677,000) *	\$13,678,649 *	3.7

* LRB estimate

PILOT's – Payments in Lieu of Taxes

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

Income Statement Summary	Actual 2013	Actual 2014	Actual 2015	Actual 2016	'17 Adopted	'18 Proposed
Total Gen. Purpose Revenues	\$86,531,541	\$ 88,906,594	\$97,238,271	\$100,662,198	\$99,127,000	\$104,252,000
Operating Expenses						
Salaries & Benefits	\$23,484,905	\$ 23,662,401	\$23,026,389	\$ 26,819,067	\$28,584,000	\$ 30,444,010
Operating Expenses	\$45,162,110	\$ 48,862,495	\$46,279,539	\$ 46,161,193	\$55,297,000	\$ 55,707,000
Equipment	\$ 1,364,319	\$ 1,743,997	\$ 1,979,933	\$ 1,875,891	\$ 3,693,000	\$ 4,096,990
Debt Service	\$ 5,250,000	\$ 6,220,000	\$ 5,300,000	\$ 14,328,190	\$ 5,391,000	\$ 8,418,000
Other	\$ 29,963	\$ 55,554	\$ 103,710	\$ 30,343	\$ 200,000	\$ 200,000
Operating Fund Increase	\$11,240,244	\$ 8,362,147	\$20,548,699	\$ 11,447,514	\$ 5,962,000	\$ 5,386,000
Capital Improvements						
Total Budgeted	\$15,217,228	\$ 23,958,926	\$23,051,134	\$ 21,500,580	\$29,210,000	\$ 32,780,000
Borrowing	\$ 5,342,796	\$ 1,311,125	\$10,000,000	\$ 20,000,000	\$21,938,000	\$ 27,307,000
Cash Financed	\$ 9,858,236	\$ 22,618,965	\$13,041,073	\$ 1,495,740	\$ 7,262,000	\$ 5,463,000
Net after Capital Improvements	\$ 1,382,008	\$(14,256,818)	\$ 7,507,626	\$ 9,951,774	\$(1,300,000)	\$ (77,000)
Pension Contribution	\$ -	\$ 1,467,296	\$ 1,333,095	\$ 1,427,864	\$ 1,600,000	\$ 1,600,000
Net Fund Change	\$ 1,382,008	\$(15,724,114)	\$ 6,174,531	\$ 8,523,910	\$ (2,900,000)	\$ (1,677,000)